Ruifeng Power Group Company Limited

瑞 豐 動 力 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2025

GLOBAL OFFERING

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Sole Global Coordinator and Sole Bookrunner

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

Joint Lead Managers

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

方正证券(香港)
FOUNDER SECURITIES (HONG KONG)

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

Ruifeng Power Group Company Limited
瑞豐動力集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**200,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**20,000,000 Shares (subject to adjustment)**
Number of International Placing Shares	:	**180,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$1.68 per 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 on final pricing)**
Nominal value	:	**HK$0.10 per Share**
Stock Code	:	**2025**

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

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or around Friday, December 22, 2017 and in any event, not later than Thursday, December 28, 2017. The Offer Price will be not more than HK$1.68 per Offer Share and is currently expected to be not less than HK$1.60 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Friday, December 22, 2017 between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. Applicants for the Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK$1.68 per Offer Share for each Hong Kong 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 less than HK$1.68 per Offer Share.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of reduction in the number of Offer Shares being Offered in the Global Offering will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.hbsgt.com. For further details, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting" in this prospectus. 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, or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from or in a transaction not subject to the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

December 19, 2017

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

Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2] . . . . 11:30 a.m. on Friday, December 22, 2017

Application lists of the Hong Kong Public Offering open[3] . . . . 11:45 a.m. on Friday, December 22, 2017

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Friday, December 22, 2017

Latest time to give electronic application instructions to HKSCC[4] . . . . 12:00 noon on Friday, December 22, 2017

Latest time to complete payment for **HK eIPO White Form** applications by effecting Internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Friday, December 22, 2017

Application lists of the Hong Kong Public Offering close . . . . 12:00 noon on Friday, December 22, 2017

Expected Price Determination Date[5] . . . . Friday, December 22, 2017

Announcement of:

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

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.hbsgt.com**[6] on or before . . . . Thursday, January 4, 2018

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (please refer to the section headed "**How to Apply for Hong Kong Offer Shares**" in this prospectus) from . . . . . .Thursday, January 4, 2018

Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from . . . . .Thursday, January 4, 2018

Dispatch of Share certificates in respect of wholly or partially successful applications on or before[7] . . . . .Thursday, January 4, 2018

Dispatch of **HK eIPO White Form** e-Auto Refund payment instructions and/or refund cheques (if applicable) in respect of wholly or partially unsuccessful applications on or before[8][9][10] . . . . .Thursday, January 4, 2018

Dealings in Shares on the Stock Exchange expected to commence on. . . . . .Friday, January 5, 2018

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

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

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 22, 2017, the application lists will not open on that day. Please refer to the paragraph headed "How to apply for Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Friday, December 22, 2017, the dates mentioned in this section headed "Expected Timetable" in this prospectus may be affected. An announcement will be made by us in such event.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Hong Kong Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

(5) We expect to determine the Offer Price by agreement with the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, December 22, 2017 and in any event, not later than Thursday, December 28, 2017. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and us by Friday, December 22, 2017, the Hong Kong Public Offering and the International Placing will not proceed and will lapse.

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

(7) Share certificates for the Hong Kong Offer Shares will only become valid certificates of title at around 8:00 a.m. on Friday, January 5, 2018 provided that:

(i) the Global Offering has become unconditional in all respects, and

(ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates or before the Share certificates becoming valid certificates of title do so entirely at their own risk.

(8) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect refund cheques (where applicable) and Share certificates (where applicable) in person from our Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, January 4, 2018. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Uncollected refund cheques and Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in the section entitled "How to Apply for Hong Kong Offer Shares" of this prospectus.

(9) Applicants who apply through the **HK eIPO White Form** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the application payment account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions through the **HK eIPO White Form** service, in the form of refund cheques, by ordinary post at their own risk.

(10) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

IMPORTANT NOTE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized 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 authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, any of the Underwriters, any of their respective directors, agents, employees or advisors, or any other person or party involved in the Global Offering. Information contained on the website at www.hbsgt.com does not form part of this prospectus.

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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 the information that may be important to you. You should read this prospectus in its entirety before you decide whether to invest in our Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Shares.

OVERVIEW

We are a specialized manufacturer of cylinder blocks, a major structure in automobile engines, based in China. We ranked fourth among specialized cylinder block manufacturers in China in terms of sales volume in 2016, according to the Frost & Sullivan Report. Production of cylinder blocks in China has historically been split between internal production by manufacturers of automobiles and automobile engines and external outsourcing to specialized producers of automobile engine spare parts. In 2016, approximately 54.7% of the cylinder blocks produced in China derived from automobile manufacturers or automobile engine producers, and the remaining 45.3% were produced by specialized cylinder block manufacturers, according to the Frost & Sullivan Report. We accounted for approximately 3.0% of the cylinder block market among specialized cylinder block manufacturers, or approximately 1.4% of the overall cylinder block market in China, as measured by sales volume in 2016, according to the Frost & Sullivan Report. According to the Frost & Sullivan Report, sales volume of cylinder blocks in China is expected to grow at a CAGR of 7.1% from 2016 to 2021. In addition, we are also an established producer of cylinder heads. According to the Frost & Sullivan Report, sales volume of cylinder heads in China is expected to grow at a CAGR of 7.3% from 2016 to 2021.

The size of our operations and significant production capacity allow us to take on some of the leading automobile manufacturers in China. As at June 30, 2017, we owned and operated a total of three precision casting lines and 13 mechanical processing lines (including 11 for cylinder blocks, one for cylinder heads and one for other ancillary cylinder block components), with a designed monthly production capacity of approximately 74,000 cylinder blocks and 13,000 cylinder heads, respectively.

Our production facilities and processes afford us a high level of flexibility to meet the diverse needs of our customers. A majority of our production lines can be adjusted by adding or replacing certain production equipment without requiring significant additional setup time or costs. Our ability to modify and upgrade our production process to produce different models on one production line is critical for us to reduce our equipment cost, while maintaining the quality and diversity of our products.

We dedicate significant resources to optimize our production process and improve our operational efficiency. According to the Frost & Sullivan Report, we were among the first few automobile engine spare part manufacturers in China to operate a precision casting line using the advanced automatic molding machine purchased from KW to produce rough cast products. In addition, together with a group of industry partners we engaged, we designed, constructed and have begun to implement a collaborative smart manufacturing process, making us one of the first automobile engine spare part manufacturers in China to adopt the intelligent manufacturing initiatives, according to the Frost & Sullivan Report.

We believe our design and research and development capabilities are among our key strengths and help us attract new customers and maintain relationships with our existing customers. Our business model requires us to work closely with customers to develop cylinder blocks and other products meeting specifications they provide or which we jointly develop with them. Such close collaboration allows us to cultivate close relationships with our customers and provides us with key advantages when competing for additional business from such customers. As a result of our ability to offer high-quality, customized product solutions, we have established and maintained long-standing, strong and stable relationships with our customers.

OUR BUSINESS MODEL

We are principally engaged in the design, development, production and sales of cylinder blocks, as well as cylinder heads and certain cylinder block components, to automobile manufacturers and engine manufacturers in China. We work closely with our customers to provide a set of high-quality, customized products. We conduct manufacturing operations for our major products through a closely-integrated cycle. The following diagram illustrates our business model:

OUR PRODUCTS

We primarily manufacture cylinder blocks used for a wide variety of vehicles, including passenger vehicles, commercial vehicles and industrial vehicles. We also manufacture cylinder heads as well as certain other structural components of cylinder blocks, primarily including main bearing caps and flywheels. The following table sets forth our revenue by segment and major product type during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
Sales of cylinder blocks										
Cylinder blocks for passenger vehicles	19,651	4.6	58,508	12.1	231,981	34.6	93,556	30.3	124,446	38.9
Cylinder blocks for commercial vehicles	267,725	62.0	263,466	54.8	252,533	37.7	125,624	40.7	106,231	33.2
Cylinder blocks for industrial vehicles	21,243	4.9	31,864	6.6	54,430	8.2	26,695	8.7	31,882	10.0
Subtotal	308,619	71.5	353,838	73.5	538,944	80.5	245,875	79.7	262,559	82.1
Sales of cylinder heads	100,390	23.2	97,472	20.3	90,919	13.5	45,065	14.6	45,611	14.3
Sales of ancillary cylinder block components	22,960	5.3	29,817	6.2	40,031	6.0	17,637	5.7	11,778	3.6
Total	431,969	100.0	481,127	100.0	669,894	100.0	308,577	100.0	319,948	100.0

Cylinder Blocks

We generally sell our cylinder blocks to major automobile manufacturers and engine manufacturers in China. During the Track Record Period, sales of our cylinder block products grew significantly. In particular, our cylinder blocks for passenger vehicles increased significantly both in terms of sales volume and revenue, as customer demand for such products grew driven by increasing sales of passenger vehicles in China. As a result, revenue from sales of cylinder blocks used in passenger vehicles increased from 6.4% of our total revenue from cylinder block sales in 2014 to 43.0% in 2016, and further to 47.4% in the six months ended June 30, 2017.

Cylinder Heads

We are one of a limited number of major specialized cylinder block manufacturers in China that also manufactures cylinder heads, according to the Frost & Sullivan Report. Our cylinder heads are primarily used in commercial vehicles and generally sold together with cylinder blocks to automobile manufacturers and engine manufacturers in China.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, our gross profit was RMB139.5 million, RMB159.6 million, RMB193.1 million, RMB86.7 million and RMB94.1 million, respectively, and our gross profit margin was 32.3%, 33.2%, 28.8%, 28.1% and 29.4%, respectively.

The following table sets forth our gross profit and gross profit margin by segment and major product type during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Sales of cylinder blocks										
Cylinder blocks for passenger vehicles	(905)	(4.6)	6,991	11.9	37,816	16.3	12,999	13.9	26,418	21.2
Cylinder blocks for commercial vehicles	88,282	33.0	95,328	36.2	90,573	35.9	43,728	34.8	38,296	36.0
Cylinder blocks for industrial vehicles	2,259	10.6	5,097	16.0	12,466	22.9	5,539	20.7	8,613	27.0
Subtotal	89,636	29.0	107,416	30.4	140,855	26.1	62,266	25.3	73,327	27.9
Sales of cylinder heads	43,216	43.0	42,512	43.6	40,189	44.2	19,440	43.1	19,898	43.6
Sales of ancillary cylinder block components	6,668	29.0	9,653	32.4	12,057	30.1	5,028	28.5	893	7.6
Total	139,520	32.3	159,581	33.2	193,101	28.8	86,734	28.1	94,118	29.4

Our gross profit grew steadily during the Track Record Period, primarily attributable to an increase in sales of our cylinder block products, particularly sales of cylinder blocks used in passenger vehicles and industrial vehicles over the period.

Our gross profit margin increased from 32.3% for the year ended December 31, 2014 to 33.2% for the year ended December 31, 2015, reflecting an increase in gross profit margin from sales of all three product segments. Gross profit margin decreased from 33.2% for the year ended December 31, 2015 to 28.8% for the year ended December 31, 2016, primarily reflecting a decrease in gross profit margin from sales of our cylinder block products as a result of a higher proportion of sales of cylinder blocks for passenger vehicles which had a relatively lower profit margin. Gross profit margin increased from 28.1% for the six months ended June 30, 2016 to 29.4% for the six months ended June 30, 2017, primarily reflecting an increase in gross profit margin from sales of our cylinder block products as a result of an increase in gross profit margin from sales of all three types of cylinder blocks we produced, partially offset by a decrease in gross profit margin from sales of ancillary cylinder block components due to decreased sales of a model of main bearing cap which had a relatively higher profit margin.

PRODUCTION

Production Process and Production Facilities

Our production process can be broadly categorized into two major steps: precision casting of rough cast products and mechanical processing of such rough cast products to produce a finished product. For a majority of the cylinder block and cylinder head products we sold over the Track Record Period, we did not carry out precision casting ourselves, but engaged in mechanical processing on the rough cast products provided by customers or third-party suppliers. However, over the Track Record Period, we also produced a growing portion of rough cast products ourselves. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, approximately 118,000, 169,000, 287,000 and 196,000, respectively, of the cylinder blocks and cylinder heads we produced included rough cast products we had manufactured ourselves, representing approximately 30.6%, 37.5%, 42.6% and 51.6%, respectively, of the total cylinder blocks and cylinder heads we produced during the same periods. Going forward, we intend to continue to increase the percentage of cylinder blocks and cylinder heads for which we manufacture rough cast products ourselves.

Our production facilities are located in Hengshui City, Hebei Province, the PRC. As at June 30, 2017, we owned and operated a total of three precision casting lines and 13 mechanical processing lines (including 11 for cylinder blocks, one for cylinder heads and one for other ancillary cylinder block components). For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, the designed production capacity of our mechanical processing lines for cylinder blocks was approximately 380,000 units, 424,000 units, 698,000 units and 442,000 units, respectively, with a utilization rate of approximately 74.4%, 78.7%, 76.4%, and 75.0%, respectively, in the same periods. For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, the designed production capacity of our mechanical processing lines for cylinder heads was approximately 230,000 units, 230,000 units, 165,000 units and 76,000 units, respectively, with a utilization rate of approximately 70.1%, 78.5%, 96.3%, and 97.9%, respectively, in the same periods.

Our Smart Manufacturing Process

Together with a group of industry partners we engaged, we designed, constructed and have begun to implement a collaborative smart manufacturing process, making us one of the first automobile engine spare part manufacturers in China to adopt the intelligent manufacturing initiatives, according to the Frost & Sullivan Report. Since December 2015, we have started designing and establishing an integrated smart manufacturing process to allow us to monitor each stage of our production in real time and respond rapidly to any problems or changes in production conditions. As at June 30, 2017, we had completed the design and construction of three automated processing lines to produce light-weight cylinder block products as well as the establishment of a "smart factory" network platform as part of the implementation of our smart manufacturing process. We intend to continue to implement our smart manufacturing process in more production lines in the future.

SUPPLIERS AND PROCUREMENT

We procure raw materials and key components from third-party suppliers selected by ourselves that are based in the PRC. In addition, certain of our supply arrangements involve the purchase of components and ancillary materials from our customers or suppliers they designate. The raw materials we procure primarily include crude iron, steel scrap, casting sand, coated sand, coal dust and coating. The key components we procure primarily include rough cast cylinder blocks and cylinder heads, reaction discs and steel sheets.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the purchases from our five largest suppliers amounted to RMB146.7 million, RMB158.8 million, RMB205.2 million and RMB102.1 million, respectively, representing 66.9%, 64.6%, 56.4% and 55.0%, respectively, of our total purchase, and purchases from our largest supplier amounted to RMB74.3 million, RMB79.0 million, RMB65.1 million and RMB33.4 million, respectively, representing 33.9%, 32.1%, 17.9% and 18.0%, respectively, of our total purchase during the same period.

DESIGN AND RESEARCH AND DEVELOPMENT

We have established a dedicated research and development department comprising approximately 36 engineering staff as at the Latest Practicable Date. Our research and development team has extensive experience in production process design and is able to select the most appropriate production equipment and processes and apply advanced manufacturing techniques to develop and manufacture products in line with our customers' specific requirements and practical needs. Our engineers also work directly with customers to develop new products or improve existing ones based on models, prototypes or concepts for which the customer does not have a pre-existing blueprint and has not produced all relevant specifications. During the Track Record Period, our research and development department helped successfully develop and produce eight new models of cylinder blocks and two new models of cylinder heads for our customers. As at the Latest Practicable Date, we owned 12 patents in the PRC, including 11 utility model patents and one invention patent, for our self-developed production equipment and processes in relation to the manufacture of cylinder blocks and cylinder heads. In addition to in-house research and development capabilities, we have also developed strategic cooperation relationships with leading universities and research institutions in China.

OUR CUSTOMERS

Our customers are primarily large automobile manufacturers and engine producers located in the PRC. In the year ended December 31, 2016, we sold our products to over 100 customers, and 64.9% of our revenue for the year came from customers with whom we had maintained relationships of more than five years as at December 31, 2016. Our customers include many of the top automobile manufacturers in China, including Jiangling Motors, Beiqi Foton Motor, Jiangxi Isuzu, JAC Motors and Great Wall Motors, among others. In the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our customers included four, six, six and five, respectively, of the top 10 automobile manufacturers in China, which together accounted for approximately 13.4%, 24.5%, 41.4% and 24.0%, respectively, of our total revenue in the respective year/period.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, sales to our five largest customers amounted to RMB323.4 million, RMB336.5 million, RMB444.5 million and RMB202.0 million, respectively, representing 74.8%, 70.0%, 66.4% and 63.1%, respectively, of our total revenue, and sales to our largest customer amounted to RMB200.2 million, RMB180.8 million, RMB137.0 million and RMB51.9 million, respectively, representing 46.3%, 37.6%, 20.5% and 16.2%, respectively, of our total revenue.

ENTITIES WHO ARE OUR MAJOR CUSTOMERS AND ALSO OUR MAJOR SUPPLIERS

During the Track Record Period, to the best knowledge and belief of our Directors, three of our major customers and/or their related companies in the same group were also our major suppliers. These customers included an automobile manufacturer and two automobile engine manufacturers. We purchased rough cast cylinder blocks and/or cylinder heads from these customers for use in producing finished cylinder block and cylinder head products. According to the Frost & Sullivan Report, it is not uncommon for cylinder block and cylinder head manufacturers to source the rough cast products from a customer and then sell the finished goods to the same customer. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our sales to these customers accounted for approximately 52.0%, 45.8%, 33.9% and 23.7%, respectively, of our total revenue. During the same period, our purchase from such customers accounted for approximately 59.1%, 50.6%, 36.2% and 25.3%, respectively, of our total purchase of raw materials.

SALES AND MARKETING

Our sales and marketing department is mainly responsible for formulating our sales and marketing strategies, preparing market analysis reports and business proposals, building our brand image, identifying and developing potential customers and servicing existing customers. As at the Latest Practicable Date, our sales and marketing department had 27 personnel.

Pricing Policy

The price of our products is primarily based on negotiations with our customers, taking into consideration market conditions, product specifications, supply and demand of comparable products, size of the purchase orders, and source of rough cast products, such as whether the rough cast cylinder blocks or cylinder heads used to manufacture finished products are self-produced or sourced from outside suppliers.

OUR COMPETITIVE STRENGTHS

We believe that the following principal competitive strengths have contributed to our success and will continue to enable us to compete effectively and to capitalize on future growth opportunities:

- The fourth largest specialized manufacturer of cylinder blocks and an established producer of cylinder heads in China
- A high level of flexibility in production facilities and process to meet the specific needs of different customers
- Continuous optimization and innovation of production process and technologies
- Strong design and research and development capabilities
- Strong and stable customer base
- An experienced management team with significant industry expertise

OUR BUSINESS STRATEGIES

We aim to strengthen our market position in China's cylinder block and cylinder head markets and to increase our market share by pursuing the following strategies:

- Continue to implement intelligent manufacturing to increase operational efficiency
- Continue to increase our production capacity
- Establish a Sino-foreign joint venture with a Japanese partner to produce aluminum alloy cylinder blocks and cylinder heads
- Pursue strategic alliance with a Swiss technology provider of surface solutions
- Further enhance our product design and research and development capabilities

RISK FACTORS

There are certain risks involved in our operations, many of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Global Offering. These risk factors are further described in the section headed "Risk Factors" in this prospectus. Some of the major risks we face include:

- We may not be able to develop and manufacture new products that gain market acceptance.
- If we are unable to maintain our utilization rates of our production facilities, our margins and profitability may be materially and adversely affected.
- Demand for our products depends on the trends and developments in the automobile industry in China.
- Any unexpected disruption at our production facilities could materially and adversely affect our business, financial condition and operation results.
- We derive a significant portion of our revenue from a limited number of customers.
- We do not enter into long-term sales agreements with our customers and our financial results and condition may be materially affected if we fail to secure future purchases from our customers.
- We rely on a limited number of suppliers to supply a large portion of raw materials and components.
- We do not enter into long-term supply agreements with our suppliers and our production cost and schedule may be adversely affected if we fail to secure supply.
- Any loss of, or significant reduction in, the preferential tax treatment we currently enjoy in the PRC may adversely affect our financial condition.

SHAREHOLDERS INFORMATION

Immediately following completion of the Global Offering and the Capitalization Issue, assuming the Over-allotment Option is not exercised, our Controlling Shareholders, namely Dragon Rise, Mr. LZ Meng, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu, will be interested (directly or indirectly) in approximately 51.38% of the issued share capital of our Company. None of our Controlling Shareholders has any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business. To protect our Group from any potential competition, our Controlling Shareholders have given unconditional and irrevocable non-compete undertakings in favor of our Group under the Non-Compete Undertaking. Each of Mr. LZ Meng, Mr. ZW Liu, Mr. YX Zhang and Mr. EW Liu has been acting in concert by actively following the lead of Mr. LZ Meng in terms of the concerted voting decisions on matters and resolutions to be passed by the shareholders of Hebei Ruifeng and (as the case may be) our Company. On August 28, 2017, these Controlling Shareholders entered into a concert party agreement confirming their agreement in the past to act in concert and agreeing to continue to act in concert. Please refer to the paragraph headed "Relationship with Our Controlling Shareholders – Controlling Shareholders of the Company" in this prospectus for details of the concert party agreement.

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of our combined financial information during the Track Record Period. We have derived the summary from our combined financial information set forth in the Accountants' Report in Appendix I to this prospectus. The following summary should be read together with the combined financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in the section headed "Financial Information" in this prospectus.

Highlights of the Combined Statements of Profit or Loss and Other Comprehensive Income

	For the years ended December 31,			For the six months ended June 30,	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
				(unaudited)	
Revenue	431,969	481,127	669,894	308,577	319,948
Cost of sales	(292,449)	(321,546)	(476,793)	(221,843)	(225,830)
Gross profit	139,520	159,581	193,101	86,734	94,118
Finance costs	(12,581)	(12,077)	(13,064)	(6,739)	(5,664)
Profit before taxation	76,687	87,193	108,966	47,759	48,693
Income tax	(12,887)	(13,768)	(15,241)	(6,542)	(6,674)
Profit for the year/period	63,800	73,425	93,725	41,217	42,019

Highlights of the Combined Statements of Financial Position

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Non-current assets	430,704	505,399	670,730	723,071
Current assets	245,405	280,489	377,772	413,502
Current liabilities	284,150	323,572	376,253	409,997
Net current (liabilities)/assets	(38,745)	(43,083)	1,519	3,505
Non-current liabilities	48,371	45,303	162,973	177,648
Net assets	343,588	417,013	509,276	548,928

As at December 31, 2014 and 2015, we recorded net current liabilities of RMB38.7 million and RMB43.1 million, respectively, primarily due to an increase in our short-term bank borrowings and an increase in property, plant and equipment related to the construction of our production facilities and purchases of production equipment. Please refer to the paragraphs headed "Risk Factors – Risks Relating to Our Business and Industry – We recorded net current liabilities as at December 31, 2014 and 2015" and "Financial Information – Discussion of Certain Items of Combined Statements of Financial Position – Current Assets and Current Liabilities" in this prospectus for further details.

Highlights of the Combined Cash Flow Statements

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
				(unaudited)	
Cash and cash equivalents at beginning of the year/period	6,301	11,353	19,328	19,328	9,553
Net cash generated from operating activities	78,143	107,426	142,913	59,818	65,004
Net cash used in investing activities	(86,237)	(98,257)	(185,387)	(128,688)	(74,614)
Net cash generated from/(used in) financing activities	13,146	(1,194)	32,699	57,804	16,212
Net increase/(decrease) in cash and cash equivalents	5,052	7,975	(9,775)	(11,066)	6,602
Cash and cash equivalents at the end of the year/period	11,353	19,328	9,553	8,262	16,155

Key Financial Ratios

The following table sets out a summary of key financial ratios as at/for the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017.

	As at/For the year ended December 31,			As at/For the six months ended June 30,
	2014	2015	2016	2017
Net profit margin(1)	14.8%	15.3%	14.0%	13.1%
Return on assets(2)	10.5%	10.0%	10.2%	7.7%
Return on equity(3)	21.0%	19.3%	20.2%	15.9%
Current ratio(4)	0.9	0.9	1.0	1.0
Quick ratio(5)	0.6	0.6	0.7	0.6
Net debt to equity ratio(6)	38.7%	32.6%	37.6%	37.7%
Gearing ratio(7)	42.0%	37.2%	39.4%	40.7%

Notes:

(1) Net profit margin equals our net profit divided by revenue for the year or period.

(2) Return on assets equals net profit for the year or period adjusted to an annual basis divided by average total assets as at the beginning and end of the year or period.

(3) Return on equity equals net profit for the year or period adjusted to an annual basis divided by average total equity amounts as at the beginning and end of the year or period.

(4) Current ratio equals our current assets divided by current liabilities as at the end of the year or period.

(5) Quick ratio equals our current assets less inventories divided by current liabilities as at the end of the year or period.

(6) Net debt to equity ratio equals total interest-bearing bank and other loans net of cash and cash equivalents at the end of the year or period divided by total equity at the end of the year or period.

(7) Gearing ratio equals total debt divided by total equity as at the end of the year or period. Total debt includes all interest-bearing bank and other loans.

RECENT DEVELOPMENTS

Our business and financial performance for the ten months ended October 31, 2017 improved slightly as compared to the ten months ended October 31, 2016. Such improvement is attributable to our increased sales of cylinder blocks. Based on our unaudited management accounts, our average monthly revenue for the ten months ended October 31, 2017 increased as compared to the ten months ended October 31, 2016. For details of trends and other factors that may affect our results of operations, please refer to the section headed "Financial Information" in this prospectus.

Our Directors confirmed that, subsequent to June 30, 2017 and up to the date of this prospectus, save as disclosed in this prospectus, there has been no significant adverse change in our principal business, pricing policy, production capacity and cost structure.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2017, being the date to which our latest audited financial statements were prepared and there is no event since June 30, 2017 which would materially affect the information shown in our combined financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of RMB13.3 million, of which RMB10.0 million was charged to our combined statements of profit or loss and other comprehensive income during the Track Record Period, and RMB3.3 million was included in trade and other receivables and will be subsequently charged to equity upon completion of the Listing. We expect to incur underwriting commissions and other additional listing expenses of approximately RMB25.9 million after June 30, 2017 (assuming an Offer Price of HK$1.64 per Share, being the mid-point of the Offer Price range stated in this prospectus), of which approximately RMB12.1 million will be charged to the combined statements of profit or loss and other comprehensive income after June 30, 2017, and RMB13.8 million will be charged to equity upon completion of the Listing. The listing expenses above are the latest practicable estimate and are for reference only. The actual amounts may differ from this estimate.

DIVIDENDS

Our Company has no fixed dividend policy specifying a dividend payout ratio. The declaration, payment and amount of dividends will be subject to our discretion. Dividends may be paid only out of our distributable profits as permitted under the relevant laws. There can be no assurance that we will be able to declare or distribute any dividend in the amounts set out in any plan of the Board or at all. In 2014 and 2015, our Group neither declared nor paid any dividends to its equity holders. In 2016 and the six months ended June 30, 2017, our Group declared dividends of RMB1.5 million for 2015 and RMB2.4 million for 2016, respectively, to its equity holders. As at October 31, 2017, all such dividends had been paid in full. The Company did not declare any dividends to its equity holders subsequent to June 30, 2017.

NON-COMPLIANCE

The historical incidents of non-compliance involving us during the Track Record Period comprised: (i) failure to make full contribution to the social insurance scheme for some of our employees; (ii) failure to register our housing provident fund account and failure to make housing provident fund contribution for some of our employees; (iii) failure to obtain approval of the environmental impact report for construction of workshop; and (iv) failure to obtain planning approval for five ancillary structures. As at the Latest Practicable Date, we had either rectified these incidents of non-compliance, obtained confirmations from the competent government authorities or conducted interviews with the responsible officers from the competent government authority confirming that we had not and would not be penalized with respect to these incidents of non-compliance. We have also implemented a series of enhanced internal control measures to prevent reoccurrence of these incidents of non-compliance. Please refer to the paragraph headed "Business – Legal Proceedings and Compliance" in this prospectus for details.

OFFERING STATISTICS

	Based on the Offer Price of HK$1.60 per Offer Share	Based on the Offer Price of HK$1.68 per Offer Share
Market capitalization at the Listing (HK$)	1,280 million	1,344 million
Unaudited pro forma adjusted net tangible assets per Share (HK$)	1.12	1.14

Notes:

(1) The calculation of market capitalization is based on 800,000,000 Shares expected to be in issue immediately upon completion of the Capitalization Issue and the Global Offering.

(2) The unaudited pro forma adjusted net tangible assets per Share includes adjustments referred to in the paragraph headed "Appendix II Unaudited Pro Forma Financial Information – A. Unaudited Pro Forma Adjusted Net Tangible Assets" in this prospectus and on the basis of 800,000,000 Shares in issue at the Offer Price of HK$1.60 and HK$1.68 per Offer Share immediately following the completion of the Capitalization Issue and the Global Offering.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$283.3 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses and assuming an initial Offer Price of HK$1.64 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. If the Over-allotment Option is exercised in full, we estimate that our net proceeds from the Global Offering will be approximately HK$330.8 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$1.64 per Share.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 43.3%, or HK$122.5 million, is expected to be used primarily to optimize our smart manufacturing process, including:

  - approximately 35.7%, or HK$100.9 million will be used for purchases of automatic production machinery and equipment; and

  - approximately 7.6%, or HK$21.6 million will be used for development and installment of our intelligent manufacturing systems;

- approximately 8.5%, or HK$24.1 million, is expected to be used primarily for the purchase of equipment and other costs related to strengthening our collaboration with third-party industry partners, including (i) approximately HK$11.0 million for the establishment of a Sino-foreign joint venture with a Japanese partner to produce aluminum alloy cylinder blocks and cylinder heads; and (ii) approximately HK$13.1 million for pursuing a strategic partnership with a Swiss technology service provider to jointly develop thermal spray coating technology;

- approximately 16.3%, or HK$46.1 million, is expected to be used primarily to repay a portion of our short-term borrowings;

	Outstanding Amount as of June 30, 2017	Maturity Date	Interest Rate	Use of Borrowings
Industrial and Commercial Bank of China	RMB40,000,000	February 2018	4.75%	Working capital

- approximately 15.1%, or HK$42.8 million, is expected to be used for construction of new mechanical processing lines and purchases of additional machinery and equipment to further increase our production capacity, including:

  – approximately 11.2%, or HK$31.8 million will be used for the construction of a new mechanical processing line for a new model of cylinder block product; and

  – approximately 3.9%, or HK$11.0 million will be used for purchasing additional machinery and equipment to upgrade our existing production lines;

- approximately 12.0%, or HK$34.1 million, is expected to be used to enhance our research and development capabilities, including:

  – approximately 8.3%, or HK$23.6 million will be used for purchasing equipment, machinery and materials used for our research and development projects related to engine spare parts and components used in clean energy vehicles;

  – approximately 3.4%, or HK$9.7 million will be used for expanding our in-house research and development team; and

  – approximately 0.3%, or HK$0.8 million will be used for cooperation with prominent Chinese universities and research institutions to carry out additional research and development projects; and

- approximately 4.8%, or HK$13.7 million, is expected to be used to fund our working capital and general corporate purposes.

"Accountants' Report"	the accountants' report on our Group for the Track Record Period set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any of them
"Articles" or "Articles of Association"	the articles of association of our Company, adopted on December 11, 2017 with effect from the Listing Date (as amended, supplemented or otherwise modified from time to time)
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Baoding Changcheng Engine"	Baoding Changcheng Internal Combustion Engine Manufacturing Company Limited* (保定長城內燃機製造有限公司), a limited liability company established under the laws of the PRC on May 25, 2000 and dissolved on October 18, 2016, and a former registered shareholder and beneficial owner of Lingfeng Engine
"Beiqi Foton Motor"	Engine Plant of Beiqi Foton Motor Co., Ltd.* (北汽福田汽車股份有限公司北京福田發動機廠), a company established in the PRC and principally engaged in the manufacture of engines, an Independent Third Party
"Board"	our board of Directors
"business day"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of 599,990,001 new Shares to be made upon capitalization of an amount of HK$59,999,000.10 standing to the credit of the share premium account of our Company as referred to in the section headed "Further details about our Company – 3. Resolutions in writing of our Shareholders passed on December 11, 2017" in Appendix IV to this prospectus

"Cayman Islands Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or 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
"CCASS Participants"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China; for the purpose of this prospectus and except where the context requires otherwise, references in this prospectus to the PRC or China do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Circular 13"	the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policies on Direct Investments* (《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》), which was issued by SAFE on February 13, 2015 and became effective on June 1, 2015
"Circular 37"	the Notice of SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments 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》), which was issued by SAFE and became effective on July 4, 2014
"close associate(s)"	has the meaning ascribed to it under the Listing Rules

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) 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"	Ruifeng Power Group Company Limited (瑞豐動力集團有限公司), an exempted company limited by shares incorporated in the Cayman Islands on May 2, 2017 under the Companies Law
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and in the context of this prospectus, means the controlling shareholders of our Company immediately after completion of the Global Offering and the Capitalization Issue, being Dragon Rise, Mr. LZ Meng, Mr. ZW Liu, Mr. YX Zhang and Mr. EW Liu (each a "Controlling Shareholder"). Please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus for further details
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission
"Deed of Indemnity"	the deed of indemnity dated December 11, 2017 and executed by the Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries), details of which are set out in the section headed "Statutory and General Information – Other Information – 17. Estate Duty, Tax and Other Indemnity" in Appendix IV to this prospectus
"Director(s)"	the director(s) of our Company

"Dragon Rise"	Dragon Rise Ventures Limited (龍躍創投有限公司), a company limited by shares incorporated in the BVI on April 25, 2017 which is owned as to approximately 50.46%, 22.36%, 14.32% and 12.86% by Mr. LZ Meng, Mr. YX Zhang, Mr. ZW Liu and Mr. EW Liu, respectively, and one of our Controlling Shareholders
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company which prepared the Frost & Sullivan Report
"Frost & Sullivan Report"	the report issued by Frost & Sullivan and commissioned by our Company, as referred to in the section headed "Industry Overview"
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Great Ally"	Great Ally Enterprises Limited (宏協企業有限公司), a company limited by shares incorporated in the BVI on April 20, 2017 which is wholly owned by Mr. ZB Zhang, and one of our Shareholders
"Great Wall Motors"	Great Wall Motors Co., Ltd.* (長城汽車股份有限公司), a company established in the PRC and principally engaged in the manufacture of vehicles and vehicle components and spare parts, an Independent Third Party
"**GREEN** application form(s)"	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company
"Group" or "our Group" or "we" or "our" or "us"	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Hebei Ruifeng"	Hebei Ruifeng Cylinder Block Company Limited* (河北瑞豐動力缸體有限公司), a limited liability company established under the laws of the PRC on August 29, 2007, and an indirect wholly owned subsidiary of our Company

"Hebei Ruifeng Engine"	Hebei Ruifeng Internal Combustion Engine Cylinder Block Company Limited* (河北瑞豐內燃機缸體有限公司), one of the predecessor companies of Hebei Ruifeng, which was established as a limited liability company under the laws of the PRC on October 31, 2003 and merged into Hebei Ruifeng and dissolved on December 23, 2009
"Hebei Ruifeng Technology"	Hebei Ruifeng Technology Company Limited* (河北瑞豐動力科技有限公司), a limited liability company established under the laws of the PRC on July 24, 2017, and an indirect wholly owned subsidiary of our Company
"**HK eIPO White Form**"	the application for Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **HK eIPO White Form** at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 20,000,000 new Shares (subject to adjustment as described in the section headed "Structure of the Global Offering") being offered by us for subscription under the Hong Kong Public Offering

"Hong Kong Public Offering"	the issue and offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), subject to and in accordance with the terms and conditions described in the section headed "Structure of the Global Offering – Hong Kong Public Offering" in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 18, 2017 relating to the Hong Kong Public Offering entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, particulars of which are set out in the section headed "Underwriting" in this prospectus
"Independent Third Party(ies)"	person(s) or company(ies) which is(are) not connected person(s) or core connected person(s) (both as defined in the Listing Rules) of our Company
"International Placing"	the conditional placing of the International Placing Shares to institutional, professional and other investors as set out under the section headed "Structure of the Global Offering" in this prospectus
"International Placing Shares"	the 180,000,000 new Shares (subject to adjustment and the Over-allotment Option) to be offered by us for subscription under the International Placing described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Placing

"International Underwriting Agreement"	the underwriting agreement relating to the International Placing which is expected to be entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters on or around December 22, 2017
"JAC Motors"	Anhui Jianghuai Automobile Co., Ltd. Engine Branch* (安徽江淮汽車集團股份有限公司發動機分公司), a company established in the PRC and principally engaged in the manufacture of vehicles and vehicle components and spare parts, an Independent Third Party
"Joint Lead Managers"	Guotai Junan Securities and Founder Securities (Hong Kong) Limited
"Jiangling Motors"	Jiangling Motors Co., Ltd.* (江鈴汽車股份有限公司), a company established in the PRC and principally engaged in the manufacture of vehicles and vehicle components and spare parts, an Independent Third Party
"Jiangxi Isuzu"	Jiangxi Isuzu Engine Co., Ltd.* (江西五十鈴發動機有限公司), a company established in the PRC and principally engaged in the manufacture of engines and engine components and spare parts, an Independent Third Party
"KW"	Künkel Wagner Prozesstechnologie GmbH, a company established in Germany and principally engaged in the manufacture of foundry machines and systems
"Latest Practicable Date"	December 11, 2017, the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
"Lingfeng Engine"	Shenzhou Lingfeng Internal Combustion Engine Cylinder Block Company Limited* (深州市鈴豐內燃機缸體有限公司), one of the predecessor companies of Hebei Ruifeng, which was established as a limited liability company under the laws of the PRC on June 3, 2002 and merged into Hebei Ruifeng and dissolved on December 23, 2009
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange

"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about January 5, 2018, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Long Teng"	Long Teng Holdings Limited (朗騰控股有限公司), a company limited by shares incorporated in the BVI on April 25, 2017, and a direct wholly-owned subsidiary of our Company
"M&A Rules"	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》), which were issued by MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, State Administration for Industry & Commerce of the PRC, China Securities Regulatory Commission and SAFE on August 8, 2006 and became effective on September 8, 2006, and were further amended by MOFCOM on June 22, 2009
"Main Board"	the stock market (excluding the options market) operated by the Stock Exchange and which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, conditionally adopted on December 11, 2017 with effect from the Listing Date (as amended, supplemented or otherwise modified from time to time)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部), as appropriate in the context
"Mr. EW Liu"	Mr. Liu Enwang (劉恩旺), an executive Director, a director of Hebei Ruifeng, and one of our Controlling Shareholders

"Mr. FC Meng"	Mr. Meng Fanchun (孟凡春), the beneficial owner of approximately 33.33% of the issued shares of Yilong Ventures, and an Independent Third Party
"Mr. Guo"	Mr. Guo Guangyu (郭廣玉), a former registered shareholder and beneficial owner of Hebei Ruifeng and Hebei Ruifeng Engine, who passed away in 2010
"Mr. H Liu"	Mr. Liu Hao (劉浩), the son of Mr. ZW Liu, the spouse of Ms. You, and a former beneficial owner of Hebei Ruifeng, Hebei Ruifeng Engine and Lingfeng Engine
"Mr. Li"	Mr. Li Qinggeng (李慶更), the beneficial owner of approximately 33.33% of the issued shares of Yilong Ventures, and an Independent Third Party
"Mr. LZ Meng"	Mr. Meng Lianzhou (孟連周), our Chairman, an executive Director, a director of Hebei Ruifeng, and one of our Controlling Shareholders. Mr. LZ Meng is also the spouse of Ms. Zhao
"Mr. Ren"	Mr. Ren Zhenyu (任振雨), the supervisor of Hebei Ruifeng, the sole beneficial owner of Start Beyond, and an Independent Third Party
"Mr. Wang"	Mr. Wang Shiying (王士英) (formerly known as Wang Shiying (王世英)), a director of Hebei Ruifeng, and the sole beneficial owner of Radiant Path. Mr. Wang is also the spouse of Ms. Yin
"Mr. Xu"	Mr. Xu Jiguo (徐繼國), the beneficial owner of approximately 33.33% of the issued shares of Yilong Ventures, and an Independent Third Party
"Mr. YX Zhang"	Mr. Zhang Yuexuan (張躍選), an executive Director, a director of Hebei Ruifeng, and one of our Controlling Shareholders. Mr. YX Zhang is also the father of Ms. XS Zhang
"Mr. ZB Zhang"	Mr. Zhang Zhanbiao (張占標), a director of Hebei Ruifeng, and the sole beneficial owner of Great Ally

"Mr. ZW Liu"	Mr. Liu Zhanwen (劉占穩), an executive Director, a director of Hebei Ruifeng, and one of our Controlling Shareholders. Mr. ZW Liu is also the father of Mr. H Liu and the father-in-law of Ms. You
"Ms. ML Liu"	Ms. Liu Meiling (劉美玲), a director of Hebei Ruifeng, and the sole beneficial owner of Rosy Raise
"Ms. XS Zhang"	Ms. Zhang Xiaoshuang (張小雙), a former beneficial owner of Hebei Ruifeng and its predecessor companies Hebei Ruifeng Engine and Lingfeng Engine. Ms. XS Zhang is also the daughter of Mr. YX Zhang
"Ms. Yin"	Ms. Yin Shujuan (尹淑娟) (formerly known as Yin Shujuan (尹書娟)), a former registered shareholder of Hebei Ruifeng and its predecessor company Lingfeng Engine. Ms. Yin is also the spouse of Mr. Wang
"Ms. You"	Ms. You Shaohua (尤少華), a former beneficial owner of Hebei Ruifeng and its predecessor companies Hebei Ruifeng Engine and Lingfeng Engine. Ms. You is also the spouse of Mr. H Liu and the daughter-in-law of Mr. ZW Liu
"Ms. Zhao"	Ms. Zhao Jingmei (趙敬梅), a former beneficial owner of Hebei Ruifeng and its predecessor companies Hebei Ruifeng Engine and Lingfeng Engine. Ms. Zhao is also the spouse of Mr. LZ Meng
"Non-Compete Undertaking"	the non-compete undertaking dated December 11, 2017 and executed by our Controlling Shareholders in favor of our Company, details of which are set out in the section headed "Relationship with our Controlling Shareholders – Non-compete Undertaking" in this prospectus
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) of not more than HK$1.68 per Offer Share and expected to be not less than HK$1.60 per Offer Share at which the Offer Shares are to be subscribed for pursuant to the Global Offering

"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters under which we may be required to issue up to 30,000,000 additional Shares at the Offer Price, to cover over-allocation in the International Placing, details of which are described in the section headed "Structure of the Global Offering – The International Placing" in this prospectus
"PBOC"	The People's Bank of China
"PRC Legal Advisor"	Jingtian & Gongcheng, our legal advisor as to PRC laws
"Price Determination Date"	the date expected to be on or around December 22, 2017 and in any event, not later than Thursday, December 28, 2017, on which the Offer Price will be determined for the purposes of the Global Offering
"Radiant Path"	Radiant Path Holdings Limited (亮程控股有限公司), a company limited by shares incorporated in the BVI on April 24, 2017 which is wholly owned by Mr. Wang, and one of our substantial Shareholders immediately after the Reorganization but prior to the Global Offering and the Capitalization Issue
"Regulation S"	Regulation S under the U.S. Securities Act

"Repurchase Mandate"	a general and unconditional mandate granted to our Directors by the passing by our Shareholders of resolutions referred to in paragraph 7 of Appendix IV to this prospectus, pursuant to which our Directors may exercise the power of the Company to repurchase Shares, the aggregate number of which shall not exceed 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme)
"Reorganization"	the reorganization of our Group as set out in the section headed "History, Reorganization and Corporate Structure – Reorganization" in this prospectus
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Rosy Raise"	Rosy Raise Limited (茂揚有限公司), a company limited by shares incorporated in the BVI on April 25, 2017 which is wholly owned by Ms. ML Liu, and one of our Shareholders
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s), with nominal value of HK$0.10 each, in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally approved and adopted by us on December 11, 2017, a summary of whose principal terms is set out in the section headed "Other Information – 16. Share Option Scheme" in Appendix IV to this prospectus
"Shareholder(s)"	holder(s) of Shares

"Sole Global Coordinator", "Sole Bookrunner", or "Guotai Junan Securities"	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
"Sole Sponsor"	Guotai Junan Capital Limited, a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activities
"sq.m."	square metres
"Start Beyond"	Start Beyond International Limited (啟越國際有限公司), a company limited by shares incorporated in the BVI on April 25, 2017 which is wholly owned by Mr. Ren, one of our Shareholders, and an Independent Third Party
"Stock Borrowing Agreement"	the stock borrowing agreement which may be entered into between Dragon Rise and the Sole Global Coordinator pursuant to which the Sole Global Coordinator may borrow up to 30,000,000 Shares from Dragon Rise for the purpose of covering any over-allocation under the International Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules, unless the context requires otherwise
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Track Record Period"	the financial period comprising the three financial years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017
"Turbo Group"	Turbo Group Investment Limited (昌寶投資有限公司), a limited company incorporated in Hong Kong under the Companies Ordinance on March 10, 2017, and an indirect wholly-owned subsidiary of our Company
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations as promulgated thereunder
"US$"	United States dollars, the lawful currency of U.S.
"**WHITE** application form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"**YELLOW** application form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Yilong Ventures"	Yilong Ventures Limited (溢隆創投有限公司), a company limited by shares incorporated in the BVI on April 25, 2017 which is owned as to approximately 33.33% by each of Mr. Xu, Mr. Li and Mr. FC Meng, one of our Shareholders, and an Independent Third Party
"%"	per cent

In this prospectus:

- terms marked with "*" are English translations of the original names in Chinese of the PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations concerned and are included in this prospectus for identification purpose only. In the event of any inconsistency, the Chinese name(s) shall prevail; and

- all times refer to Hong Kong time. Unless otherwise specified, references to years in this prospectus are references to calendar years.

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

"bearing cap(s)"	a rigid, semi-circular part that fits around one half of a bearing to secure it
"boring"	a machining process of enlarging a hole that has already been drilled by means of a single-point cutting tool
"casting"	a manufacturing process by which a liquid material is poured into a mold, which contains a hollow cavity of the desired shape; the process is completed once the liquid material cools and forms the desired shape and is then broken out of the mold
"China V"	an emission standard issued by the Ministry of Environmental Protection of the PRC in 2013 for light petrol vehicles and heavy diesel vehicles used for public transportation, environmental sanitation and postal services
"China VI"	an emission standard issued by the Ministry of Environmental Protection of the PRC in 2016 for light-duty vehicles primarily powered by gasoline and diesel
"commercial vehicle(s)"	vehicle used or maintained for the transportation of persons for hire, compensation, or profit, or designed, used, or maintained primarily for the transportation of property (e.g., trucks and pickups)
"core-making"	a process to produce the replica of a corresponding part feature to create internal cavities and reentrant angles of the part in casting and molding processes
"cylinder block(s)"	a main structure of the automobile engine in which combustion of fuel takes place. A cylinder block provides space for the required number of cylinders along with the associated surrounding structures, including coolant passages, intake and exhaust passages and crankcase

"cylinder head(s)"	a cylinder head is a major component of the engine which sits on top of the cylinder block and provides space for passages that feed air and fuel into a cylinder and allow the exhaust to escape. A cylinder head has to withstand huge pressure and very high temperatures while retaining its shape and form to seal the cylinder block via the head gasket
"DNC"	distributive numerical control, a computer system that allows a single computer to be networked with one or more machines that use computer numerical control
"ERP"	Enterprise Resource Planning, a system that integrates internal and external management information across an entire organization, embracing finance/accounting, manufacturing, sales and service, customer relationship management, etc. An ERP system automates these activities with an integrated software application
"Euro V"	Stage 5 of the European emission standards which specify emission limits for all important toxic pollutants of new vehicles sold in the EU and EEA member states. Euro 5 tightens the limits on particulate emissions from diesel engines and applies to new passenger car approvals from September 1, 2009 and all new registrations from January 1, 2011
"finish machining"	a process to complete a work piece and achieve the final dimension, tolerances, and surface finish
"flywheel"	a mechanical device specifically designed to efficiently store rotational energy
"honing"	an abrasive machining process that produces a precision surface on a metal work piece by scrubbing an abrasive tool against it along a controlled path
"industrial vehicle(s)"	vehicle designed and used to transport materials over variable paths with no restrictions on the area covered

"ISO/TS-16949"	an International Organization for Standardization technical specification prepared by the International Automotive Task Force that aims to develop a quality management system that provides for continual improvement, emphasizing defect prevention and the reduction of variation and waste in the supply chain of the automotive industry
"ISO14001"	an International Organization for Standardization environmental management standard that specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance
"lost foam casting"	a type of evaporative-pattern casting process that uses a pattern made from a material that will evaporate when the molten metal is poured into the molding cavity
"MDC"	machine data collection, a real-time machine monitoring system that automatically collects, reports, charts and processes real-time manufacturing data
"mechanical processing"	a manufacturing process by which a work piece is cut into a desired final shape and size by a controlled material-removal process using machines
"molding"	a process whereby metal is melted and cast into molds, which then adopts the shape of the mold and forms a metal object with regular shape, size and performance
"passenger vehicle(s)"	vehicle with at least four wheels, used for the transport of passengers, and comprising no more than eight seats in addition to the driver's seat
"rough machining"	a process to machine a work piece into an approximate size by taking heavy cuts with the object chiefly of removing excess metal rather than of obtaining a correct size and finish
"smart manufacturing"	a technology-driven approach that uses Internet-connected machinery to monitor the production process with the goal of optimizing concept generation, production, and product transaction

"smelting"	a form of extractive metallurgy to produce a base metal from its ore
"T4"	Tier 4, an emission standard established by the U.S. Environmental Protection Agency and the California Air Resources Board applicable to new engines found in off-road equipment including construction, mining and agricultural equipment, marine vessels and workboats, locomotives and stationary engines found in industrial and power generation applications
"thermal spraying"	an industrial coating process that consists of a heat source (flame or other) and a coating material in a powder or wire form which is melted into tiny droplets and sprayed onto surfaces at high velocity
"vertical machining center"	a milling machine with vertically oriented spindles that approaches work pieces mounted on its table from above
"vertically-parted automatic casting"	a casting process using automated molding machines and mold transporting conveyors to compact molding sand by squeezing

This prospectus contains certain statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe(s)", "aim(s)", "estimate(s)", "plan(s)", "project(s)", "anticipate(s)", "expect(s)", "intend(s)", "may", "seek(s)", "can", "could", "ought to", "potential", "will" or "should" or similar expressions, or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. In particular, references to "estimate(s)" only refer to the situations whereby best estimation was adopted by the management. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this prospectus and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our business, results of operations, financial position, liquidity, prospects, growth, strategies and the industries and markets in which we operate or may operate in the future.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance or the actual results of our operations, financial position and liquidity. The development of the markets and the industries in which we operate may differ materially from the description or implication suggested by the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial position and liquidity as well as the development of the markets and the industries in which we operate are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- adverse changes or developments in the industries in which we operate;
- our operation and business prospect;
- our ability to maintain and enhance our market position;
- the effects of domestic and overseas competition in the industries or markets in which we operate and its potential impact on our business;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting our operations, especially those related to the PRC;
- general political and global economic conditions, especially those related to the PRC, and macro-economic measures taken by the PRC Government to manage economic growth;
- fluctuations in inflation, interest rates and exchange rates;

- changes in the availability of, or new requirements for financing;
- material changes in the costs of the equipment required for our operations;
- our ability to successfully implement any of our business strategies, plans, objectives and goals;
- our ability to expand and manage our business and to introduce new businesses;
- our ability to obtain or extend the terms of the licenses necessary for the operation of our business;
- changes in restrictions on foreign currency convertibility and remittance abroad;
- changes to our expansion plans and estimated capital expenditure;
- our dividends;
- our success in accurately identifying future risks to our business and managing the risks of the aforementioned factors; and
- other factors discussed in sections headed "Summary", "Risk Factors", "Future Plans and Use of Proceeds", "Industry Overview", "Business" and certain statements in the section headed "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this prospectus reflect our management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions. Investors should specifically consider the factors identified in this prospectus, which could cause actual results to differ, before making any investment decision. Except as required by the Listing Rules and applicable laws, we undertake no obligation to revise any forward-looking statements that appear in this prospectus to reflect any change in our expectations, or any events or circumstances, that may occur or arise after the date of this prospectus. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with the investment in our Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Global Offering. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may not be able to develop and manufacture new products that gain market acceptance.

Our future success depends largely on our ability to develop and manufacture new cylinder block and cylinder head products that appeal to evolving customer needs and to continuously enhance the performance and reliability of our products. If our products fail to satisfy our customers' requirements, or if we are unable to develop and manufacture competitive products in response to market demand, our future development and market position may be significantly undermined, and our financial condition and results of operations may be materially and adversely affected.

Anticipating and responding to technological changes is pivotal to our ability to develop new products. However, we cannot assure you that we will always be able to (i) attract sufficient high-quality engineering and research and development personnel, (ii) successfully commercialize the technologies developed or acquired by us, and (iii) maintain cooperative relationships with leading universities and research institutions in the PRC. As a result, we may not be able to develop and manufacture new products in a cost-effective manner and on a timely basis, or at all.

In addition, the launch of a new product model requires substantial capital investment and generally higher initial production costs. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we had incurred research and development expenses of RMB15.5 million, RMB19.7 million, RMB20.8 million, RMB9.3 million and RMB9.5 million, respectively. We expect to continue to incur additional research and development costs in the future. If our new products are not well received by the market after being developed, we may not achieve the intended economic return on our investment, which could materially and adversely affect our results of operations and financial condition.

If we are unable to maintain our utilization rates of our production facilities, our margins and profitability may be materially and adversely affected.

Utilization rates of our production facilities allow us to allocate fixed costs over a greater number of products produced, thus increasing our profit margins. Historically, we achieved utilization rates of approximately 74.4%, 78.7%, 76.4% and 75.0%, respectively, for our mechanical processing lines for cylinder blocks, and approximately 70.1%, 78.5%, 96.3% and 97.9%, respectively, for our mechanical processing lines for cylinder heads, in the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017. The utilization rates of our production facilities depend primarily on the demand for our products. The utilization rates may also be affected by various other factors, such as skills of our employees, adverse weather conditions, natural disasters and breakdown of our production equipment. There is no assurance that we will be able to maintain a comparable level of output and utilization rates of our production facilities in the future. In the event we are unable to maintain our utilization rates or achieve higher utilization rates for any or all of our production facilities, our business, financial condition and operation results may be materially and adversely affected.

Demand for our products depends on the trends and developments in the automobile industry in China.

Demand for our products depends to a large extent on the future growth of and trends and developments in the automobile market in China, which is characterized by evolving industry standards and regulatory requirements and changing customer preferences. If demand for automobiles decreases for any reason, we may experience a corresponding decrease in demand for our products, which in turn may materially and adversely affect our business, financial condition and results of operations. This link between the automobile market and demand for our products was illustrated by the decrease in our sales of cylinder blocks for commercial vehicles over the Track Record Period, reflecting the decrease of sales of domestically produced commercial vehicles. According to the Frost & Sullivan Report, sales volume of domestically-produced commercial vehicles decreased from 4.0 million in 2011 to 3.7 million in 2016. Although sales in other products, notably cylinder blocks for passenger vehicles, increased over the Track Record Period to make up for lack of growth in cylinder blocks for commercial vehicles, there can be no assurance that shifting trends in the automobile market will not result in decreased sales in the future if we are unable to produce products for which there is sufficient demand.

Any unexpected disruption at our production facilities could materially and adversely affect our business, financial condition and operation results.

Our production process relies on a constant and sufficient supply of utilities (including water and electricity). We do not maintain our own power station and water supply plant. Although we have not experienced any material disruption in our production due to power and water supply failure during the Track Record Period, in the event of earthquake, fire, drought, flood or other natural disaster, political instability, riot or civil unrest, extended outage of critical utilities or transportation systems, terrorist attack or other events that limit or disrupt our ability to operate our production facilities, we may experience substantial losses, including loss of revenue from disrupted production. We may also need to incur substantial additional expenses, exceeding our insurance coverage to repair or replace any damaged equipment or facility. In addition, our ability to manufacture and supply products and our ability to meet our delivery obligations to our customers would be significantly disrupted and our relationships with our customers could be damaged, which could have a material and adverse effect on our business, financial condition and operation results.

If we fail to grow or retain our customer base, or if customer engagement ceases to grow or declines, our business and operating results may be materially and adversely affected.

A strong and stable customer base and a high level of customer engagement are critical to our success. In the year ended December 31, 2016, we sold cylinder blocks to over 100 customers, and 64.9% of our revenue for the year came from customers with whom we had maintained relationships of more than five years as at December 31, 2016. Our customers include many of the top automobile manufacturers in China, including Jiangling Motors, Beiqi Foton Motor, Jiangxi Isuzu, JAC Motors and Great Wall Motors, among others. Our business has been and will continue to significantly depend on our customers and their demand for our products. If customers no longer view our products as useful and attractive as compared to competing offerings, we may not be able to increase or maintain our customer base and the level of customer engagement.

A number of factors could negatively affect customer growth, retention and engagement, including:

- despite our continual research, monitoring and analysis of customer needs, we may be unable to identify or meet evolving customer demands;

- we may not be able to timely develop and produce new or updated products in accordance with customer requests, or the new or updated products we develop and produce may not satisfy our customers' need;

- we may fail to update existing technology or develop new technology in time to stay ahead or abreast of market advances;

- our competitors may launch or develop products similar to or better than ours, which may result in loss of existing customers or decline in new customer growth; and

- we may be compelled to modify our products to address requirements imposed by legislation, regulations, government policies or requests from government authorities in manners that may compromise customer needs and requirements.

If we are unable to maintain or grow our customer base or enhance customer engagement, our products will become less attractive to our customers, which would have a material and adverse impact on our business and operating results.

We derive a significant portion of our revenue from a limited number of customers.

Our top five customers, which primarily include large automobile manufacturers and engine producers located in China, accounted for approximately 74.8%, 70.0%, 66.4% and 63.1%, respectively, of our revenue for each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017. For each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our largest customer accounted for approximately 46.3%, 37.6%, 20.5% and 16.2% of our revenue, respectively. Our largest customers for each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were automobile manufacturers. The loss of a small number of our large customers, or the reduction in business with one or more of these customers, could have a significant adverse impact on our operating results.

We do not enter into long-term sales agreements with our customers and our financial results and condition may be materially affected if we fail to secure future purchases from our customers.

We do not enter into long-term sales agreements with our customers obligating them to place orders with us which would secure future revenue for us. Instead, we sell our products primarily based on sales agreements which generally have a term of one year and need to be renewed by mutual consent on an annual basis. If for any reason any of our major customers ceases to purchase from us or reduces the amount of products purchased from us, our business, financial condition and operation results may be materially and adversely affected.

If we fail to obtain sufficient amounts of raw materials or components that meet our quality standards and/or at commercially acceptable prices, our business, financial condition and results of operations would be materially and adversely affected.

We rely on various types of raw materials and components for the manufacture of our products. Our raw materials primarily include crude iron, steel scrap, casting sand, coated sand, coal dust and coating. The key components we procure primarily include rough cast cylinder blocks and cylinder heads, reaction discs and steel sheets. We cannot assure you that we will not experience any shortage in the supply of these raw materials and components in the future. If any of our suppliers is unwilling or unable to provide us with high-quality raw materials or components in required quantities and/or at commercially acceptable prices, we may be unable to find alternative sources at commercially acceptable prices, on satisfactory terms in a timely manner, or at all. If any shortage occurs, it would materially and adversely affect our production, business and results of operations.

Moreover, our purchase is subject to volatility in the prices of raw materials and components. Our raw material costs represented approximately 64.4%, 63.1%, 67.6%, 65.7% and 61.0%, respectively, of our cost of sales in the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017. Our future costs of raw materials and components may be affected by many factors, such as market demand, changes in suppliers' manufacturing capacity, availability of substitute materials, interruptions in production by suppliers or supply chain, general economic conditions and natural disasters, all of which are out of our control. Due to differences in timing between our purchases of certain raw materials and components from suppliers and sales to our customers, there may be a lead-lag effect that can negatively impact our margins in the short term in the event of rising prices of raw materials and components. If we fail to effectively control the cost of our raw materials and components or fail to pass the increased cost to our customers, our business, financial condition and results of operations could be materially and adversely affected.

We rely on a limited number of suppliers to supply a large portion of raw materials and components.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the purchases from our five largest suppliers amounted to RMB146.7 million, RMB158.8 million, RMB205.2 million and RMB102.1 million, respectively, representing 66.9%, 64.6%, 56.4% and 55.0%, respectively, of our total purchase, and purchases from our largest supplier amounted to RMB74.3 million, RMB79.0 million, RMB65.1 million and RMB33.4 million, respectively, representing 33.9%, 32.1%, 17.9% and 18.0%, respectively, of our total purchases during the same period. If any of our largest suppliers decides to terminate, not to renew, or to limit or reduce its supply to us, we may not be able to find alternative suppliers for similar purchases on similar conditions in a timely manner, or at all, which may disrupt or reduce our production and our results of operations, financial condition and growth prospects may suffer as a result. Moreover, a portion of our total purchases came from our customers who also act as suppliers of rough cast products we used as components to produce finished products for these customers or from third-party suppliers identified by our customers. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our sales to our major customers who were also our major suppliers accounted for approximately 52.0%, 45.8%, 33.9% and 23.7%, respectively, of our total revenue. During the same periods, our purchase from such customers accounted for approximately 59.1%, 50.6%, 36.2% and 25.3%, respectively, of our total cost of sales. The source of such components is determined based on negotiations with individual customers and we may not be able to source such components in each case from suppliers we would otherwise select.

We do not enter into long-term supply agreements with our suppliers and our production cost and schedule may be adversely affected if we fail to secure supply.

We do not enter into long-term supply agreements with our suppliers. There is no assurance that our suppliers will be able to supply the required raw materials to us in a timely manner or that they will not significantly increase the prices at the time of our purchase. In addition, there is no assurance that our suppliers would be able to deliver to us raw materials up to our required standard. In either case, our production schedule and business could be materially and adversely affected. In addition, we may not be able to secure alternative supplies of raw materials of similar quality from other suppliers at prices and terms acceptable to us. In such event, our business, financial condition and operation results may be materially and adversely affected.

We are exposed to credit risk with regard to our customers, some of whom have, in the past, failed to pay us for their purchases in a timely manner.

We are exposed to credit risk in relation to our trade and other receivables. We typically grant our customers credit terms of 30 to 90 days upon receipt of invoices. In the case of certain customers with whom we have established long-standing relationships, we offer credit terms up to 120 days. We may not be able to receive payment for our products on time. Historically, the average turnover days of our trade and bills receivables increased from 105 days for the year ended December 31, 2016 to 131 days for the six months ended June 30, 2017, as we allowed a higher degree of latitude in our enforcement of payment terms against our customers during the six months ended June 30, 2017 in order to maintain good business relationships with them. There can be no assurance that such an increase in trade and bills receivables will not recur in the future. Although we perform on-going credit evaluation of financial conditions on our customers, we cannot assure you that our customers will pay us in full for their purchases in a timely manner or at all in the future. If our customers fail to pay us in full in a timely manner, our financial condition and results of operations may be materially and adversely affected. Please also refer to the paragraph headed "Financial Information – Quantitative and Qualitative Disclosures about Market Risk – Credit Risk" in this prospectus for further details.

The markets in which we operate are highly competitive. If we are unable to compete effectively for customers and customer engagement, our business and operating results may be materially and adversely affected.

We were the fourth largest specialized manufacturer of cylinder blocks in China in terms of sales volume in 2016, according to the Frost & Sullivan Report. We face competition from domestic and overseas manufacturers of similar products to such customers in China. The market concentration for cylinder blocks produced by specialized cylinder block manufacturers is high as the top 10 specialized cylinder block producers accounted for approximately 45.7% of the total sales revenue in China in 2016, according to the Frost & Sullivan Report. Please refer to the paragraph headed "Business – Competition" in this prospectus for further details. Our competitors may have substantially more financial, technical and other resources, longer operating histories, as well as broader product offerings and larger market share. We may be unable to compete successfully against these competitors or new market entrants, which may adversely affect our business and financial performance.

We believe that our ability to compete effectively against other market participants depends upon many factors, some of which are beyond our control, including:

- the performance and reliability of our products compared to those of our competitors, which are highly dependent on our product development and technological capabilities and our insights into customer needs and preferences as compared to our competitors;
- our ability to identify and capture new market opportunities in advance of our competitors;
- our reputation and brand strength relative to our competitors;
- regulations or government policies in the markets where we operate;
- our ability to attract, retain, and motivate talented employees, in particular highly qualified engineers; and
- our ability to manage and grow our operations cost-effectively.

Any loss of, or significant reduction in, the preferential tax treatment we currently enjoy in the PRC may adversely affect our financial condition.

We are entitled to preferential tax treatment as a high and new technology enterprise, allowing us to have a lower tax rate that would not otherwise be available to us. Our effective income tax rate in the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 was 16.8%, 15.8%, 14.0%, 13.7% and 13.7%, respectively. We plan to apply for the extension of such preferential tax treatment before expiration. However, there cannot be any assurance that we will be granted such extension, and, if we are not, it would result in an increase of our effective income tax rate. To the extent that there are any changes in, or withdrawals of, any preferential tax treatment applicable to us, or increases in the tax rate, our tax liability would increase correspondingly.

In addition, the PRC government from time to time adjusts or changes its policies on value-added tax, business tax and other taxes. Such adjustments or changes, together with any uncertainties resulting therefrom, could have an adverse effect on our results of operations.

If we fail to keep up with technological developments and evolving customer demands and expectations, our business and operating results may be materially and adversely affected.

We operate in a market characterized by evolving industry standards, frequent new product launches and updates, rapidly-developing technologies, and changing customer demands and expectations. The continuing popularity of our products depends in significant part on our ability to adapt to these rapidly-changing technologies and industry standards as well as our ability to continually innovate in response to evolving customer demands and expectations and intense market competition. Any failure on our part to act effectively in any of these areas may materially and adversely affect our business and operating results. For example, according to the Frost & Sullivan Report, the Chinese government has issued a series of policies to offer support for the development of the domestic energy-saving and new energy vehicle industry since 2012, which could help drive widespread adoption of new energy vehicles in the future. Accordingly, automobile engine spare part manufacturers like ourselves may need to put more resources into research and development of spare parts used in new energy vehicles. Please refer to the paragraph headed "Industry Overview – China's Automobile Engine Spare Part Industry" in this prospectus for further details. Although we have begun to carry out research and development projects related to cylinder blocks used in engines for new energy vehicles, there can be no assurance that we will be able to successfully produce products for new energy vehicles in the future.

Moreover, enhancing legacy technologies and incorporating new technologies into our products involve numerous technical challenges, substantial capital and personnel resources and significant time. Although we have been and will continue to devote significant resources to enhance our technologies and products, we may not be able to effectively develop or integrate new technologies on a timely basis, or at all, which may decrease customer satisfaction. In addition, new technologies may not succeed or integrate well with our products, and even if integrated, may not function as expected or may be unable to attract and retain a substantial number of customers. Our failure to keep pace with rapid technological changes may impact our ability to retain or attract users or generate revenue, and have a material and adverse effect on our business and operating results.

We face risks arising from the growing popularity of new energy vehicles and potential bans on traditional fuel vehicles in the future, which may materially and adversely affect our business, results of operations and financial condition.

In recent years, the Chinese government has issued a variety of policies to support the development of the domestic new energy vehicle industry. According to the Frost & Sullivan Report, with the rapid development of relevant technologies, new energy vehicles are likely to gain increasing acceptance and popularity in the future, encroaching on the market share of the traditional gasoline- and diesel-powered vehicles. In addition, Frost & Sullivan estimates that the traditional fuel vehicle market will also likely be affected in the future by potential government bans on traditional fuel vehicles. While various countries, particularly the European countries, have released plans and timeline for banning the traditional fuel vehicles, it remains unclear as to whether or when the Chinese government will issue such bans. Currently, the traditional fuel vehicles still account for a significant share in the automobile market in China. As demand for our current products largely depends on the trends and development of the Chinese automobile market, and as our current products are primarily used in traditional fuel vehicles, we would expect any significant decrease in demand for traditional fuel vehicles in China would result in a corresponding decrease in sales of our existing products. If we fail to compete effectively in response to the changing market trend and produce products to be used in new energy vehicles, we may be unable to retain our market share, and our business, results of operations and financial condition would be materially and adversely affected.

Our manufacturing and other operational activities may be adversely affected if there are failures in, or inefficient management of, our intelligent manufacturing systems.

Together with a group of industry partners we engaged, we designed, constructed and have begun to implement a smart manufacturing process comprising a set of interrelated intelligent manufacturing systems in three automated processing lines producing light-weight cylinder block and cylinder head products as at the Latest Practicable Date. Please refer to the paragraph headed "Business – Our Competitive Strengths – Continuous optimization and innovation of production process and technologies" in this prospectus for further details. Such intelligent manufacturing systems form a key part of operational process and any disruptions to them will likely have a negative impact on our operations. We cannot assure you that we will not incur any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires and other similar events to our intelligent manufacturing systems in the future. If serious damage or significant interruption occurs, our operations may be disrupted and our financial condition and results of operations may be adversely affected. Furthermore, if our operations are disrupted by the introduction of any new intelligent manufacturing system, including migration from an existing system, our financial condition and results of operations may be similarly adversely affected.

Any product recall could have a material and adverse impact on our results of operations, financial condition and growth prospects.

Product recalls could involve significant expenses and time of our management, which could materially and adversely affect our business prospects, results of operations and financial condition. In addition, product recalls may have a material adverse effect on customers' confidence in the quality and safety of the affected products and our reputation and image, which could in turn reduce demand for our products. During the Track Record Period, we did not conduct any recalls, voluntary or involuntary, for any of our products. However, any possible future product recall by us could have a material and adverse impact on our sales and, in turn, our results of operations, financial condition and prospects.

Any failure to implement and maintain effective quality controls at our production facilities could subject us to product liability and warranty claims, which in turn may have a material adverse effect on our business and results of operations.

The manufacture and sales of our products may subject us to potential product liability claims if (i) we fail to manage our quality control effectively, or (ii) our products fail to perform as expected, or are proven to be defective, or if they cause, result in, or are alleged to have caused or resulted in, personal injuries or asset damages. Any product liability claim, with or without merit, could prove costly and time-consuming to defend and could potentially harm our reputation and image. Successful product liability claims may require us to pay substantial damages. Furthermore, certain product liability claims may be the result of defects from parts and components purchased from third-party suppliers. Such third-party suppliers may not be able to indemnify us for the losses resulting from such defects and product liability claims in full or at all. In addition, a material design, manufacturing or quality-related failure or defect in our products or other safety issues could each warrant a product recall by us and result in increased product liability claims and/or regulatory actions. If we are found to be in material violation of relevant laws and regulations, our business license to manufacture or sell relevant products could be suspended or revoked, and we and our Directors could be subject to civil or criminal liabilities. Please refer to the paragraph headed "– Risks Relating to Our Business and Industry – We may be subject to product liability or warranty claims that could result in significant direct or indirect costs, or we could experience greater returns than expected, which could harm our business and operating results" in this section for details.

As at the Latest Practicable Date, we had not received any material product liability or warranty claims from our customers or any other third parties and had not initiated any product recall that had a material effect on our business. Our product warranty provisions as at December 31, 2014, 2015 and 2016 and June 30, 2017 were RMB3.6 million, RMB4.2 million, RMB4.9 million and RMB5.1 million, respectively. However, our product warranty provisions may not be adequate if any product liability or warranty claims are made and we are held liable.

We may be subject to product liability or warranty claims that could result in significant direct or indirect costs, or we could experience greater returns than expected, which could harm our business and operating results.

Generally, the warranty period provided by us for our cylinder blocks, cylinder heads or other related components is the same as the warranty period provided by our customers to the end users of the vehicles they sell, which typically ranges from one to three years from the date of customer acceptance. Please refer to the paragraph headed "Business – Our Customers – Agreements with Customers" in this prospectus for further details. During the warranty period, our customers and the end users could choose to have their purchases replaced, repaired or returned primarily depending on the type of defects involved.

The occurrence of any material defects in our products could make us liable for damages and warranty claims. We could incur significant costs to correct defects, warranty claims or other problems, including costs related to product recalls. Any negative publicity related to the perceived quality and safety of our products could affect our brand image, decrease customer demand, and adversely affect our operating results and financial condition. In addition, while our warranty is primarily limited to repairs, returns and replacements, warranty claims may result in litigation, the occurrence of which could adversely affect our business and operating results.

We may be unable to consummate or successfully integrate acquisitions and strategic alliances.

We may from time to time pursue acquisitions and strategic alliances that we believe will complement our current business by diversifying our customer base and enabling us to specialize in, expand or enhance technological capabilities. For example, we plan to enter into a strategic partnership with a Swiss-based market leader focused on providing surface solutions, to jointly develop thermal spray coating technologies for automobile cylinder blocks. Please refer to the paragraph headed "Business – Our Business Strategies – Pursue strategic alliance with a Swiss technology provider of surface solutions" in this prospectus for further details. We cannot assure you that we will be able to find suitable acquisition targets or partners with whom to form strategic alliances, and failure to do so in a timely manner or at all may affect our ability to realize our growth objectives. In addition, there are risks and uncertainties related to these activities, including the difficulty of integrating acquired operations, technology and products, diversion of our management's attention from other business concerns, potential unknown liabilities associated with an acquired company, undisclosed risks affecting an acquired company and potential adverse effects on existing business relationships with current customers and suppliers. In addition, any acquisitions or partnerships could involve the incurrence of substantial additional indebtedness or dilution of the equity interests of our shareholders. We cannot assure you that we will be able to successfully integrate any acquisitions or partnerships that we undertake or that such acquisitions or partnerships will perform as planned or prove to be beneficial to our operations and cash flow. Each of these factors could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to implement our business plans successfully.

Our business plans set forth in the paragraph headed "Business – Our Business Strategies" and the section headed "Future Plans and Use of Proceeds" in this prospectus are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties, such as changes in the industry, availability of funds, sufficiency of manpower, competition, government policies and political and economic developments in the PRC. These assumptions may not be correct, which could affect the commercial viability of our business plans. As such, there can be no assurance that our business plans will be implemented successfully as scheduled (in terms of, for instance, time and costs), or at all. If we fail to effectively and efficiently implement our business plans, we may not be successful in achieving desirable and profitable results. Even if we effectively and efficiently implement our business plans, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results from the implementation of our business plans. Our financial condition, operation results and growth prospects may be materially and adversely affected if our future business plans fail to achieve positive results.

The implementation of our expansion plan may lead to higher depreciation expenses, which may adversely affect our profit margin.

In order to expand our production capacity, we plan to add new mechanical processing lines for our cylinder blocks and cylinder heads and purchase additional production equipment and machinery. The implementation of our expansion plan and any additional purchases of equipment in the future may lead to higher depreciation expenses compared with those during the Track Record Period. Please refer to the paragraph headed "Business – Our Business Strategies – Continue to increase our production capacity" in this prospectus for further details. The additional amount of annual depreciation expenses for the new production lines and equipment are estimated to be approximately RMB4.5 million and the depreciation period will commence upon the commencement of operation of the new production lines, which may have a negative impact on our profit margin.

We depend on our key personnel, and our business and growth prospects may be severely disrupted if we lose their services or are unable to attract new employees to replace these key personnel.

We depend on the continued contributions of our executive Directors, senior management and other key employees. In particular, we rely on the expertise, experience and leadership ability of our board of Directors, particularly Mr. LZ Meng, our chief executive officer and chairman of our Board, and Mr. YX Zhang, our executive Director. Mr. LZ Meng has been critical to the strategic development and overall management of our Group, and Mr. YX Zhang has been responsible for the overall product research and development of our Group.

If one or more of our key personnel are unable or unwilling to continue in their present positions within our Company, we may not be able to replace them easily or at all, which may cause a significant disruption to our business operations, strategic plan and strategy implementation, and materially and adversely affect our financial condition and results of operations. We may also have to incur additional and potentially significant expenses to recruit and train new personnel. In addition, if any of our executive officers or key employees joins a competitor or forms a competing company, we may lose key technologies, knowhow, trade secrets, and key professionals and staff. Furthermore, since the demand and competition for talent is intense in our industry, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future, which could increase our compensation expenses.

Any labor shortages, increased labor cost or other factors affecting our labor force may adversely affect our business, profitability and reputation.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our staff cost related to salaries and benefits of employees involved in production amounted to approximately RMB34.2 million, RMB37.1 million, RMB47.7 million, RMB23.7 million and RMB23.6 million, respectively, representing 11.7%, 11.5%, 10.0%, 10.7% and 10.5% of total cost of sales for such periods, respectively. To sustain the growth of our business, we may need to increase our workforce of experienced management, skilled labor and other employees to implement our expansion plans and to enhance the operating efficiency of our existing production facilities. In the event of labor shortages, we may have difficulties in recruiting or retaining employees or may face increasing labor costs.

Given the recent economic growth in the PRC, competition for qualified personnel is substantial and labor costs have been increasing generally. We cannot assure you that we can retain and attract sufficient qualified employees on commercially reasonable terms, or at all. Any failure to attract qualified personnel at reasonable cost and in a timely manner could reduce our competitive advantages relative to our competitors, undermining our ability to expand our growth in revenues and profits. In addition, certain companies in the PRC have experienced labor unrest and strikes in recent years. We cannot assure you that labor disputes, work stoppages or strikes will not arise in the future. Increases in our labor costs and future disputes with our workers could adversely affect our business, financial condition or operation results.

If we fail to maintain appropriate levels of inventory, we could lose sales or incur more inventory carrying costs, either of which could materially and adversely affect our business, financial condition and results of operations.

We carry a variety of inventory and must maintain reasonable levels of inventory. Changing customer demands and preferences, inaccurate demand forecasts, uncertainty of product developments and launches, and the time lag between the time when the inventory of raw materials is ordered from our suppliers and when our finished products are sold could expose us to inventory risks. We cannot influence the movement of consumer habits or the speed at which technological trends will change our market. We cannot assure you that we can accurately predict these trends and events and avoid over-stocking or understocking of products. If we maintain excess inventory, we may incur additional inventory carrying cost and face the risk such inventory could become obsolete if product demand changes. However, if we do not have sufficient raw materials and components in inventory to fulfill orders placed by our customers, we may lose orders. We cannot assure you that we can manage our inventories effectively, and any failure could materially and adversely affect our business, financial condition and results of operations.

Our profit margins may decline as we continue to increase our production and sales of cylinder blocks for passenger vehicles.

We primarily manufacture and sell cylinder blocks used for a wide variety of vehicles, including passenger vehicles, commercial vehicles and industrial vehicles. During the Track Record Period, we expanded our sales in cylinder blocks for passenger vehicles in response to the increased market demand for spare parts and components for passenger vehicles. Cylinder blocks for different types of vehicles often carry different unit selling prices and margins, and changes in our product mix may materially affect our overall profit margins. Typically, cylinder blocks used in commercial vehicles carry higher gross margins than cylinder blocks for passenger vehicles and industrial vehicles. Despite the fact that our gross profit increased over the Track Record Period, our gross margin decreased from 32.3% in the year ended December 31, 2014 to 28.8% in the year ended December 31, 2016, primarily due to a change in product mix from sales of cylinder blocks used in commercial vehicles towards increased sales of cylinder blocks used in passenger vehicles. As we expect market demand for lighter-weight engines to continue to grow, we plan to continue to increase our production and sales of cylinder blocks for passenger vehicles, in particular aluminum alloy cylinder blocks that can be used in lighter-weight engines. To the extent that we continue to shift our focus on cylinder blocks for passenger vehicles, our profit margins may decrease.

We may not be able to adequately protect our intellectual property, which could cause us to be less competitive and third-party infringements of our intellectual property rights may adversely affect our business.

We rely on a combination of invention patent, utility model, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain or use our intellectual property, including seeking court declarations that they do not infringe upon our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and the steps we have taken may not be able to fully prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources, and thus may adversely affect our business.

We may be subject to intellectual property infringement claims or other allegations by third parties, which may materially and adversely affect our business, operating results and prospects.

While we have not been subject to any intellectual property infringement claims in the past, we may in the future be subject to intellectual property claims or other allegations by third parties for the products and services we provide. Companies in the manufacturing and technology industries are frequently involved in litigation related to allegations of infringement of intellectual property rights, unfair competition and other violations of other parties' rights. We may face allegations that we have infringed the invention patents, utility models and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair trade practices. As we face increasing competition and as litigation becomes a more common method for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources, and favorable final outcomes may not be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our products to reduce the risk of future liability, may have a material adverse effect on our business, operating results and prospects.

Our historical financial and operating results may not be indicative of our future performance and our financial and operating results may be difficult to forecast.

We have experienced growth in revenue during the Track Record Period. Our historical growth was primarily driven by sales of our cylinder block products. Our financial condition and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, including:

- general economic and social conditions and government regulations or actions pertaining to the industries where we operate;
- increased competition and changing market demands;
- expansion and related costs in a given period; and
- our ability to control our cost of sales and other operating costs, and to enhance our operational efficiency.

In addition, we may not sustain our past growth rates in future periods, and we may not sustain profitability on a quarterly, interim or annual basis in the future. Our historical results, growth rates and profitability may not be indicative of our future performance. Our Shares could be subject to significant price volatility should our earnings fail to meet the expectations of the investment community. Any of these events could cause the price of our Shares to materially decrease.

We may not be able to obtain adequate financing on commercially reasonable terms on a timely basis, or at all, and any debt financing may contain covenants that restrict our business or operations.

We require significant working capital for our operations and capital expenditures for our expansion. Historically, we have generally relied on capital contributions from shareholders, bank loans and other external financing as well as cash generated from our operations to fund our operations and expansion. Our ability to obtain adequate external financing depends on a number of factors, including our financial performance and results of operations, as well as other factors beyond our control, including the global and PRC economies, interest rates, the applicable laws, regulations and rules, market conditions and the geographical regions where we operate. There can be no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans, nor can we assure you that we will be able to obtain bank loans and other external financing on commercially reasonable terms or on a timely basis, or at all. If we are unable to obtain financing in a timely manner, at a reasonable cost, on commercially reasonable terms, or at all, our business and operations may suffer and the implementation of our future business plans may be delayed.

In addition, our future borrowings may include restrictive covenants. Failure by us to meet payment obligations may constitute an event of default on our borrowings. If any event of default occurs, our financial condition, results of operations and cash flow may be materially and adversely affected.

Furthermore, if we require additional funding as a result of our future acquisitions or expansions, market changes or other developments, we may issue additional equity securities or securities convertible into our equity securities, issue debt securities or obtain credit facilities to meet our capital requirements. Any future sale by us of our equity securities or securities convertible into our equity securities would dilute our Shareholders' interests. The incurrence of additional debt would also result in increased debt servicing obligations and may result in restrictive covenants limiting our shareholding structure, business and/or operations.

Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in the PRC are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund, and contribute to the plans in amounts equal to certain percentages of salaries of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. From 2014 and up to June 2017, we did not make full contributions to the social insurance scheme for certain employees. During the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the amount of social insurance payment underpaid by us for the relevant year/period was approximately RMB4.0 million, RMB3.8 million, RMB4.4 million and RMB2.7 million, respectively. In addition, from 2014 and up to June 2017, we did not make full contributions to housing provident fund for some of our employees. During the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the amount of housing provident fund underpaid by us for the relevant year/period was approximately RMB1.2 million, RMB1.3 million, RMB1.2 million and RMB0.4 million, respectively. Although as at the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to the social insurance and demanding payment, we cannot assure you that the relevant local government authorities will not require us to pay the outstanding amounts within a specified time limit or impose late fees or fines on us, which may adversely affect our financial condition and results of operations. Please refer to the paragraph headed "Business – Legal Proceedings and Compliance" in this prospectus for further details.

We may be adversely affected if our competitors consolidate or enter into strategic alliances.

Our industry is capital intensive and requires substantial investments in manufacturing, machinery, research and development, product design, engineering, technology and marketing in order to meet both consumer demands and regulatory requirements. Large companies are able to benefit from economies of scale by leveraging their investments and activities across brands. If our competitors consolidate or enter into strategic alliances, they may be able to benefit more from larger economies of scale. In addition, our competitors could use consolidation or alliances as a means of enhancing their competitiveness or liquidity position. Any such consolidation or strategic alliance by our competitors could materially and adversely affect our business and prospects.

Any negative impact on the transportation of our products and raw materials could adversely affect our business and operational condition.

We depend primarily on land transportation to obtain our raw materials and deliver products to our customers. If we cannot secure land transportation necessary for the delivery of raw materials to us and our products to our customers, or if we are unable to secure economically-feasible alternative methods to transport our products and raw materials during disruptions of transportation systems which are beyond our control, our results of operations may be adversely affected. Any disruption of raw material supply may interrupt our production and could have a negative effect on the competitiveness of our products and our financial condition.

Non-compliance with environmental regulations in China may result in significant monetary damages, fines and other liabilities as well as negative publicity and damage to our brand name and reputation.

Our production processes are subject to national and local environmental regulations applicable to us in China. In the event of our non-compliance with present or future environmental regulations, we may be subject to governmental inspections or penalties, civil liabilities or business interruptions, and our management might be subject to relevant liabilities as well. During the Track Record Period, we did not obtain approval of the environmental impact report (環境影響評價文件) for the construction of our workshop. As a result, in May 2016, we paid a fine of RMB120,000 to Shenzhou Environmental Protection Bureau (深州市環境保護局) and obtained approval of the environmental impact report in June 2016. Please refer to the paragraph headed "Business – Legal Proceedings and Compliance" for further details. We may also be subject to adverse publicity and damage to our brand name and reputation. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial.

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

There is seasonal fluctuation in our sales. We typically achieve higher revenue from increased sales of our cylinder block and cylinder head products in the fourth quarter of each year, which generally mirrors the seasonality patterns of the automotive industry in China. In addition, there are other factors relevant to seasonality which may affect our sales, such as the timing of launch of new products and the timing of delivery of products. As such, our operation results for the peak seasons of each calendar year or between any interim periods may not indicate our performance for the entire calendar year. Prospective investors should be aware of this seasonal fluctuation when making any comparison of our operation results.

We maintain limited insurance coverage.

We maintain various insurance policies, such as automobile insurance and comprehensive property insurance to safeguard against risks and unexpected events. However, our insurance coverage is still limited in terms of amount, scope and benefit. Consequently, we are exposed to various risks associated with our business and operations. Please refer to the paragraph headed "Business – Insurance" in this prospectus for further details. We are exposed to risks including, but not limited to, accidents or injuries in our production facilities that are beyond the scope of our insurance coverage, fires, explosions or other accidents for which we do not currently maintain insurance, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

We recorded net current liabilities as at December 31, 2014 and 2015.

We have relied on a combination of funds generated from our operations and bank loans to finance our business operations and expansion. As at December 31, 2014 and 2015, we recorded net current liabilities of RMB38.7 million and RMB43.1 million, respectively, primarily due to an increase in our short-term bank borrowings and an increase in property, plant and equipment related to the construction of our production facilities and purchases of production equipment.

We intend to apply approximately 13.8% of the net proceeds of the Global Offering for repayment of a portion of our outstanding loans. We also intend to apply approximately 10.0% of the net proceeds of the Global Offering as our working capital. However, these amounts of funding may not be sufficient for our future operations and we may still need to obtain loan financing from financial institutions or other persons especially when the nature of our business requires continuous investments in plant and machinery, and will involve significant capital expenditure. Therefore, we may continue to have net current liabilities in the future, which may limit our working capital for the purposes of operations or capital for our future plans, and materially and adversely affect our business, financial condition and results of operations.

Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could severely disrupt our business operations.

Our operations are vulnerable to interruption and damage from natural and other types of catastrophes, including earthquakes, tsunami, fire, floods, hail, windstorms, severe winter weather (including snow, freezing water, ice storms and blizzards), health pandemics, environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks, and similar events. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophe or extraordinary event were to occur in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our products to our customers and could decrease demand for our products.

Since 2003, there have been several outbreaks of avian influenza, or the bird flu, beginning in the PRC and, eventually, spreading to certain parts of Africa and Europe. In 2013, there was outbreak in the PRC of the H7N9 virus. Any occurrence of these pandemic diseases or other adverse public health developments could severely disrupt our staffing and otherwise reduce the activity levels of our work force, causing a material and adverse effect on our business operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Adverse changes in the PRC economic, political and social conditions, as well as laws and government policies, may materially and adversely affect our business, financial condition, results of operations and growth prospects.

The economic, political and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening up policies in 1978, the PRC was primarily a planned economy. In recent years, the PRC government has been reforming the PRC economic system and government structure. For example, the PRC government has implemented economic reform and measures emphasizing the utilization of market forces in the development of the PRC economy in the past three decades. These reforms have resulted in significant economic growth and social prospects. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country.

We cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. Despite these economic reforms and measures, the PRC government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

Our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions. Stricter credit or lending policies in the PRC may affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten credit or lending standards, or that, if any such measure is implemented, it will not adversely affect our future results of operations or profitability.

Demand for our products and our business, financial condition and results of operations may be materially and adversely affected by the following factors:

- political instability or changes in social conditions of the PRC;
- changes in laws, regulations, and administrative directives or the interpretation thereof;
- measures which may be introduced to control inflation or deflation; and
- changes in the rate or method of taxation.

These factors are affected by a number of variables which are beyond our control.

Changes to the PRC legal system and insufficient protection of intellectual property rights could have an adverse effect on us.

The PRC government has developed a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions.

Intellectual property rights are critical to our success and we have obtained or applied for trademarks, invention models and patents on various products and technologies as set out in the section headed "Further details about the business of our Company – 11. Intellectual property rights of our Group" in Appendix IV to this prospectus for the purpose of protecting our intellectual property rights. For details on the protection of our intellectual property rights, please refer to the paragraph headed "– Risks Relating to Our Business and Industry – We may not be able to adequately protect our intellectual property, which could cause us to be less competitive and third-party infringements of our intellectual property rights may adversely affect our business" in this section.

Furthermore, we cannot assure you that, in the future, we will not receive notice of any claims from any third party alleging infringement by us of any such third party's intellectual property rights, or that we will prevail in any proceedings arising from such a claim. In the event that any such claim is initiated or upheld, our business and financial condition could be adversely affected.

PRC governmental control on the convertibility of Renminbi may affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. The majority of our income is received in Renminbi and shortages in the availability of foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our Shareholders.

We face foreign exchange risk, and fluctuations in exchange rates could have an adverse effect on our business and investors' investments.

The value of the Renminbi has been under pressure of appreciation in recent years. Due to international pressure on the PRC to allow more flexible exchange rates for the Renminbi, the economic situation and financial market developments in the PRC and abroad and the balance of payments situation in the PRC, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility.

Our revenue and costs are denominated in Renminbi, and a significant portion of our financial assets are also denominated in Renminbi. We rely entirely on dividends and other fees paid to us by our PRC subsidiaries. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, an appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, as Renminbi is the functional currency of our subsidiary in China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

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

Under PRC Laws, dividends may be paid only out of distributable profits of our PRC subsidiaries. Distributable profits are our profit for the year as determined under PRC GAAP, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits of our PRC subsidiaries to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been unprofitable. Any distributable profits of our PRC subsidiaries that are not distributed in a given year are retained and available for distribution in subsequent years. Under the current PRC tax laws, regulations and applicable tax treaties, the payment of dividends to a non-PRC resident shareholder is subject to withholding tax of 10% unless that shareholder is incorporated in Hong Kong and meets the relevant requirements where the rate is reduced to 5% under the Arrangements between the Mainland China and the 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》).

Inflation in the PRC could negatively affect our profitability and growth.

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in China was 0.9% in March 2017. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labor may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our customers.

The legal system of the PRC is not fully developed and there are inherent uncertainties that may affect the protection afforded to our business and our Shareholders.

Our business and operations in the PRC are governed by the PRC legal system that is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by the PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management attention.

As our Shareholder, you hold an indirect interest in our operations in the PRC. Our operations in the PRC are subject to PRC regulations governing the PRC companies. These regulations contain provisions that are required to be included in the articles of association of the PRC companies and are intended to regulate the internal affairs of these companies. PRC company law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections. As such, our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

It may be difficult to effect service of process upon, or to enforce judgments against, our Directors or members of our senior management who reside in the PRC in connection with judgments obtained in non-PRC courts.

Substantially all of our Directors reside within the PRC, and the assets of most of our Directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside of the PRC upon those Directors and senior management members, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments from various jurisdictions are uncertain.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and there can be no assurance that an active market would develop.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator on behalf of the Underwriters and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

The liquidity, trading volume and market price of our Shares following the Global Offering may be volatile.

The price at which our Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industries in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment;
- changes in laws and regulations in China;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

Issuance of new Shares or equity linked securities may cause dilution in shareholding.

We may require additional funds due to changes in business conditions or other future developments relating to, inter alia, our existing operations or any future expansions. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

There may be dilution because of the issuance of Shares pursuant to the options granted under the Share Option Scheme.

Our Company has conditionally adopted the Share Option Scheme, the details of which are summarized in the section headed "Statutory and General Information – Other Information – 16. Share Option Scheme" in Appendix IV to this prospectus. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the shareholders of our Company, the earnings per Share and net asset value per Share depending on the exercise price. Any issuance of new Shares upon exercise of the options granted under the Share Option Scheme will also lead to a dilution of our earnings per Share and net asset value per Share because the number of Shares outstanding will be increased as a result of such issuance.

Because the initial public Offer Price per Share is higher than the net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in pro forma adjusted combined net tangible asset value of HK$1.13 per Share (assuming an Offer Price of HK$1.64 per Offer Share, being the mid-point of our Offer Price range of HK$1.60 to HK$1.68 per Offer Share) and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. There will be 800,000,000 Shares outstanding immediately following the Global Offering, assuming no exercise of the Over-allotment Option. Our Controlling Shareholders agreed that any Shares held by them will be subject to a lock-up after the Listing. Please refer to the paragraph headed "Underwriting – Underwriting Arrangements and Expenses" in this prospectus for further details. However, the Underwriters may release these securities from these restrictions at any time and such Shares will be freely tradable after the expiry of the lock-up period. Shares which are not subject to a lock-up arrangement represent approximately 48.62% of the total issued share capital immediately following the Global Offering (assuming no exercise of the Over-allotment Option) and will be freely tradable immediately following the Global Offering.

Our Controlling Shareholders have undertaken that any disposal of our Shares held by them will be subject to constraints for a period longer than that required under the Listing Rules. However, there is no assurance that such undertaking will not be waived and such waiver can be granted without recommendations and/or the approval of our independent Shareholders.

Each of our Controlling Shareholders has further undertaken in favor of our Company on a voluntary basis that at any time during the period of 12 months from the expiry of the First Six-Month Period, it or he shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our controlling shareholder.

Such voluntary undertaking can be waived by approval by our independent non-executive Directors without the approval of our independent Shareholders. Should the undertaking be waived, there is no assurance that our Controlling Shareholders will not dispose of their Shares to such an extent that immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the relevant Controlling Shareholder would cease to be our controlling shareholder. For details of the undertaking, please refer to the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Underwriting Agreement – Lock-up Undertakings under the Hong Kong Underwriting Agreement" in this prospectus.

Future sales of a substantial number of our Shares by our current Shareholders could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. While we are not aware of any intentions of our Controlling Shareholders to dispose of significant amounts of their Shares after the expiration of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any Shares they may own now or in the future.

The interest of our Controlling Shareholders may differ from your interests and they may exercise their vote to the disadvantage of our minority Shareholders.

Immediately after the completion of the Global Offering and the Capitalization Issue (without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own approximately 51.38% of our Shares. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the Global Offering. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

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

Prior dividend distributions are not an indication of our future dividends.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our Group declared and distributed nil, nil, RMB1.5 million and RMB2.4 million, respectively, to our equity holders. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and PRC laws, including (where required) the approvals from our shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiary. As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends. For further details of the dividends of our Company, please refer to the paragraph headed "Financial Information – Dividends" in this prospectus.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to primarily use the net proceeds from the Global Offering to (i) optimize our smart manufacturing process, (ii) purchase production equipment and strengthen our collaboration with third-party industry partners, (iii) repay our outstanding loans, (iv) establish new production lines and purchase additional production equipment and machinery, and (v) enhance our research and development capabilities. Please refer to the paragraph headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus for further details. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

A waiver has been granted from Compliance with certain requirements of the Listing Rules by the Stock Exchange. Shareholders will not have the benefit of the Listing Rules that are so waived. Such waiver could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Stock Exchange has granted to us a waiver from strict compliance with Rule 8.12 of the Listing Rules. Please refer to the paragraph headed "Waiver from Strict Compliance with the Listing Rules" in this prospectus for further details. There is no assurance that the Stock Exchange will not revoke the waiver granted or impose certain conditions on such waiver. If such waiver were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could adversely affect us and our Shareholders.

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the Frost & Sullivan Report contained in this prospectus.

Certain facts and statistics in this prospectus, including but not limited to information and statistics relating to the PRC automobile, automobile engine and automobile engine spare parts industries, are based on the Frost & Sullivan Report or are derived from various publicly available publications, which our Directors believe to be reliable.

We cannot, however, guarantee the quality or reliability of such facts and statistics. 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. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Frost & Sullivan Report, they have not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Underwriters or any other party or their respective directors, advisors or affiliates involved in the Global Offering (excluding Frost & Sullivan in respect of the Frost & Sullivan Report and the information therein) and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics referred to or contained in this prospectus may not be consistent with other information complied by other sources. Furthermore, there is no assurance that they are stated or compiled on same basis or with some degree of accuracy as may be the case elsewhere. Prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Frost & Sullivan Report contained in this prospectus.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “going forward”, “intend”, “plan”, “project”, “seek”, “expect”, “may”, “ought to”, “should”, “would” or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this prospectus to the public, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You may face difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum and Articles and the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

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

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Our principal business operations are currently based and conducted in the PRC. As our executive Directors play very important roles in our Company's business operations, it is in our best interests for them to be based in or near the places where our Group has significant operations. As such, we do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that they comply with the Listing Rules at all times. The two authorized representatives appointed are Mr. LZ Meng and Mr. Wong Ka Wai, who are one of our executive Directors, chairman and chief executive officer, and the company secretary of our Company, respectively. Each of the authorized representatives has confirmed that he will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time frame upon request of the Stock Exchange, if required. They will be readily contactable by telephone, facsimile or email and are authorized to communicate on our behalf with the Stock Exchange;

(b) our authorized representatives have means to contact all our Directors promptly at all times as and when the Stock Exchange wishes to contact the members of our Board for any matters. To enhance communication between the Company and the Stock Exchange, our authorized representatives and our Directors, we have implemented a policy whereby (i) each Director will have to provide his office phone number, mobile phone number, facsimile number and email address to the authorized representatives; and in the event that a Director expects to travel and be out of office, he will have to provide the phone number of the place of his accommodation or other means of communication to the authorized representatives; and (ii) each Director will provide their mobile phone number, office phone number, facsimile number and email address to the Stock Exchange. We will inform the Stock Exchange promptly if there is any change in our authorized representative or contact details for any of them;

(c) each Director who is not ordinarily resident in Hong Kong has confirmed that he possesses or can apply for valid travel documents to visit Hong Kong and can meet the Stock Exchange in Hong Kong within a reasonable period when required;

(d) we have, in compliance with Rule 3A.19 of the Listing Rules, engaged Guotai Junan Capital Limited as our compliance advisor, who will have access at all times to our Company's authorized representatives, Directors and other officers. The compliance advisor will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing and, where the authorized representatives of our Company are unavailable, act as an additional channel of communication between our Company and the Stock Exchange at least for the period commencing from the Listing Date and ending on the date that our Company publishes its first full financial year results pursuant to Rule 13.46 of the Listing Rules. We will inform the Stock Exchange promptly for any change of our Company's compliance advisor;

(e) meetings between the Stock Exchange and our Directors could be arranged through the authorized representatives or our compliance advisor, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in the authorized representatives and our compliance advisor; and

(f) we shall also appoint other professional advisors (including legal advisors as to Hong Kong law) after the Listing to assist our Company in advising on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations, and dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be an efficient channel of communication with the Stock Exchange.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

THIS HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and the Application Forms for details of the procedures for applying for the Hong Kong Offer Shares.

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

STRUCTURE OF THE GLOBAL OFFERING AND UNDERWRITING

Please refer to the section headed "Structure of the Global Offering" in this prospectus for further details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us. The Global Offering is managed by the Sole Global Coordinator. If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. Please refer to the section headed "Underwriting" in this prospectus for further details of the Hong Kong Underwriters and the underwriting arrangements.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

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

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. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme. Dealings in the Shares on the Stock Exchange are expected to commence on Friday, January 5, 2018.

Save as disclosed above, no part of our share capital or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on the Stock Exchange and we complying with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

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

HONG KONG SHARE REGISTER AND STAMP DUTY

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

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

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain Renminbi amounts into Hong Kong dollars at specified rates. Unless indicated otherwise, the translation of Renminbi into Hong Kong dollars, and vice versa, in this prospectus was made at the following rate:

RMB0.8682 to HK$1 (being the prevailing exchange rate on June 30, 2017.)

No representation is made that any amounts in Renminbi or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rate or at all.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

ROUNDING

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

DIRECTOR

Name	Address	Nationality
Executive Directors		
Mr. Meng Lianzhou (孟連周)	Room 801 Unit 2, Block 2 Ruifeng Garden Changjiang Xi Road Changjiang Avenue Shenzhou City Hebei Province PRC	Chinese
Mr. Liu Zhanwen (劉占穩)	Room 701 Unit 2, Block 2 Ruifeng Garden Yongping Avenue Shenzhou City Hebei Province PRC	Chinese
Mr. Zhang Yuexuan (張躍選)	Room 802 Unit 3, Block 2 Ruifeng Garden Changjiang Xi Road Changjiang Avenue Shenzhou City Hebei Province PRC	Chinese
Mr. Liu Enwang (劉恩旺)	Room 501 Unit 2, Block 2 Ruifeng Garden Yongping Avenue Shenzhou City Hebei Province PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. Ren Keqiang (任克強)	Room 1822, Block B Jia Bao Run Jin Zuo Xinzhou Ninth Avenue Futian District Shenzhen Guangdong Province PRC	Chinese
Mr. Yu Chun Kau (余振球)	Flat E, 43/F, Block 4 L Hiver Les Saisons 28 Tai On Street Sai Wan Ho Hong Kong	Hong Kong
Mr. Wei Anli (魏安力)	Room 101, Building 1 Yi Qu Jinhua Park Daxing District Beijing, PRC	Chinese

Please refer to the section headed "Directors and Senior Management" in this prospectus for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Guotai Junan Capital Limited** 28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Global Coordinator and Sole Bookrunner	**Guotai Junan Securities (Hong Kong) Limited** 28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Joint Lead Managers	**Guotai Junan Securities (Hong Kong) Limited** 28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong **Founder Securities (Hong Kong) Limited** 21st Floor 33 Des Voeux Road Central Central, Hong Kong
Legal advisors to our Company	*As to Hong Kong law:* **Chiu & Partners** 40/F, Jardine House 1 Connaught Place Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing PRC *As to Cayman Islands law:* **Conyers Dill & Pearman** Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Luk & Partners** **In Association with Morgan, Lewis & Bockius** Unit 2001, Level 20 One International Finance Centre 1 Harbour View Street Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Beijing PRC
Reporting accountants	**KPMG** 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Property valuer	**Colliers International (Hong Kong) Limited** Suite 5701 Central Plaza 18 Harbour Road Wanchai Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc.,** **Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai, 200232 PRC
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong
Compliance advisor	**Guotai Junan Capital Limited**

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in PRC	Middle of East Taishan Road Shenzhou Hebei Province PRC
Principal place of business in Hong Kong	Room 09-10, 41st Floor China Resources Building 26 Harbour Road Wan Chai Hong Kong
Company's website	**www.hbsgt.com** (*information contained in this website does not form part of this prospectus*)
Company secretary	Mr. Wong Ka Wai (王加威) *(ACCA)* Room 505E, 5/F Ha Lung Building 25-29 Ko Shing Street Sheung Wan Hong Kong
Authorized representatives (for the purpose of the Listing Rules)	Mr. Meng Lianzhou (孟連周) Room 801 Unit 2, Block 2 Ruifeng Garden Changjiang Xi Road Changjiang Avenue Shenzhou City Hebei Province PRC Mr. Wong Ka Wai (王加威) Room 505E, 5/F Ha Lung Building 25-29 Ko Shing Street Sheung Wan Hong Kong

Authorized representatives (for the purpose of the Companies Ordinance)	Mr. Wong Ka Wai (王加威) Room 505E, 5/F Ha Lung Building 25-29 Ko Shing Street Sheung Wan Hong Kong
Audit committee	Mr. Yu Chun Kau (余振球) *(Chairman)* Mr. Ren Keqiang (任克強) Mr. Wei Anli (魏安力)
Remuneration committee	Mr. Ren Keqiang (任克強) *(Chairman)* Mr. Meng Lianzhou (孟連周) Mr. Yu Chun Kau (余振球)
Nomination committee	Mr. Wei Anli (魏安力) *(Chairman)* Mr. Meng Lianzhou (孟連周) Mr. Yu Chun Kau (余振球)
Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong share registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	China Construction Bank Shenzhou Branch No. 51, Changjiang West Road, Shenzhou City, Hebei Province, PRC
	Industrial and Commercial Bank of China Shenzhou Branch No. 96 Yongping Avenue Shenzhou City, Hebei Province PRC

This section contains certain information, statistics and data which are derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan, an Independent Third Party (the "Frost & Sullivan Report"). The information from official government publications and the Frost & Sullivan Report may not be consistent with information available from other sources within or outside China and Hong Kong. We believe that the sources of the information in this section 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 part has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering (excluding Frost & Sullivan in respect of the Frost & Sullivan Report and the information therein) and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of the automobile, automobile engine and automobile engine spare part markets in China.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the automobile, automobile engine and automobile engine spare part markets in China. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics of China and industry associations.

The Frost & Sullivan Report was compiled based on the following assumptions:

- the social, economic and political environments in the relevant markets being examined will remain stable during the forecast period from 2017 to 2021;
- the economy in the relevant markets is likely to maintain steady growth during the forecast period from 2017 to 2021; and
- market drivers such as supportive policy of government, continuously growing sales and production volume of passenger vehicles are likely to continue to affect the cylinder block and cylinder head markets in China over the forecast period from 2017 to 2021.

Frost & Sullivan is an independent consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. It has over 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We are contracted to pay a fee of RMB550,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed "Summary", "Risk Factors", "Business", "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

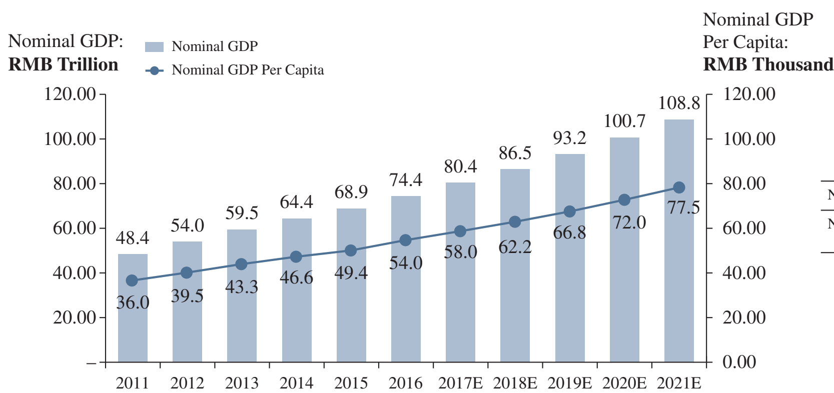
Our Directors, having made reasonable inquiries, confirm that since the date of the Frost & Sullivan Report and up to the Latest Practicable Date, there had been no adverse change in the market information which may qualify, contradict, or have an impact on the information in this section of this prospectus.

ECONOMIC GROWTH OF CHINA

Growth in the automobile spare part industry in China in which we operate is largely affected by performance of the automobile and automobile engine markets which are themselves affected by performance of the Chinese economy.

China's Nominal GDP Growth

China's economy has been growing rapidly in recent years. According to the National Bureau of Statistics of China, China's nominal GDP grew from RMB48.4 trillion in 2011 to RMB74.4 trillion in 2016, representing a CAGR of 9.0%. According to the Frost & Sullivan Report, China's nominal GDP will further grow to RMB108.8 trillion by 2021, representing a CAGR of approximately 7.9% from 2016. In the meanwhile, China' nominal GDP per capita also increased from RMB36,018 in 2011 to RMB53,980 in 2016, representing a CAGR of 8.4%. The chart below illustrates the historical and projected growth of China's nominal GDP and nominal GDP per capita from 2011 to 2021.

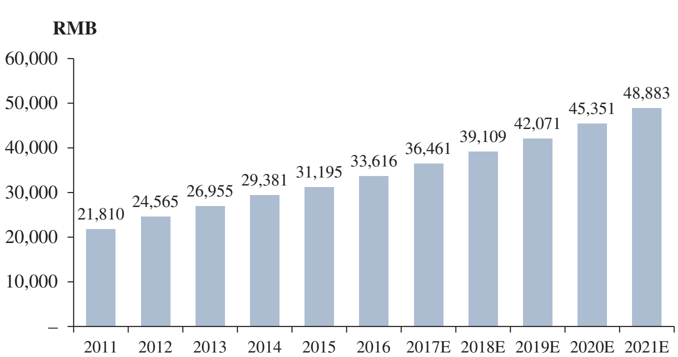


CAGR	2011-2016	2016-2021E
Nominal GDP	9.0%	7.9%
Nominal GDP Per Capita	8.4%	7.5%

Source: National Bureau of Statistics of China, IMF, Frost & Sullivan estimates

Increasing Urbanization and Disposable Income of Urban Household

The rapid economic growth has accelerated the urbanization process in China. China's urbanization rate grew from 51.3% in 2011 to 57.3% in 2016, and is expected to reach 64.0% by 2021, according to the Frost & Sullivan Report. In addition, rising GDP per capita has driven strong growth in per capital disposable income for Chinese residents. The annual per capita disposable income of urban households in China increased from RMB21,810 in 2011 to RMB33,616 in 2016, representing a CAGR of 9.0%, and is expected to grow to RMB48,883 by 2021, representing a CAGR of 7.8% from 2016, according to the Frost & Sullivan Report. The chart below illustrates the historical and projected per capita annual disposable income of urban households in China from 2011 to 2021.



	2011-2016	2016-2021E
CAGR	9.0%	7.8%

Source: National Bureau of Statistics of China, Frost & Sullivan estimates

CHINA'S AUTOMOBILE INDUSTRY

Overview of China's Automobile Industry

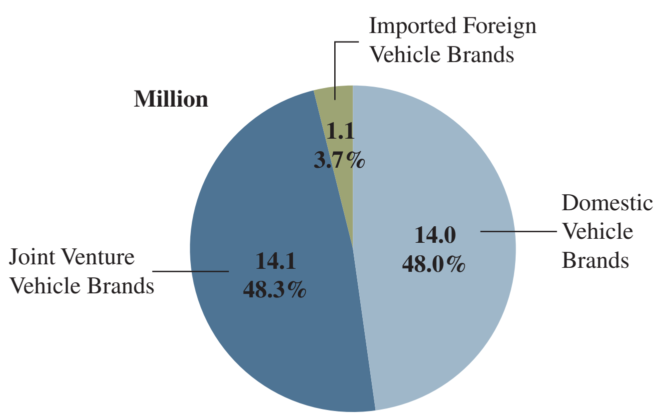
The automobile industry in China has exhibited strong growth in recent years amid China's rapid economic growth, continuing urbanization and increasing levels of household consumption. According to the National Bureau of Statistics of China, in 2016, the automobile manufacturing industry ranked third among the major industry sectors in China in terms of revenue generated from industrial enterprises whose principal business is automobile manufacturing.

Passenger and Commercial Vehicle Market in China

Market Segmentation

There is no uniform standard used to classify the segments of China's passenger and commercial vehicle market. Frost & Sullivan divides China's passenger and commercial vehicle market into three segments based primarily on product origin, namely, domestic vehicle brands, joint venture vehicle brands and imported foreign vehicle brands. The substantial majority of the market for passenger and commercial vehicles in China was represented by vehicles produced domestically in China, and almost equally divided between joint venture vehicle brands (with a market share of approximately 48.3%) and purely domestic vehicle brands (with a market share of approximately 48.0%) in terms of sales volume in 2016. Imported foreign vehicle brands ranked third and accounted for only approximately 3.7% of the total market in 2016.

Sales Volume of Passenger and Commercial Vehicles in China, 2016

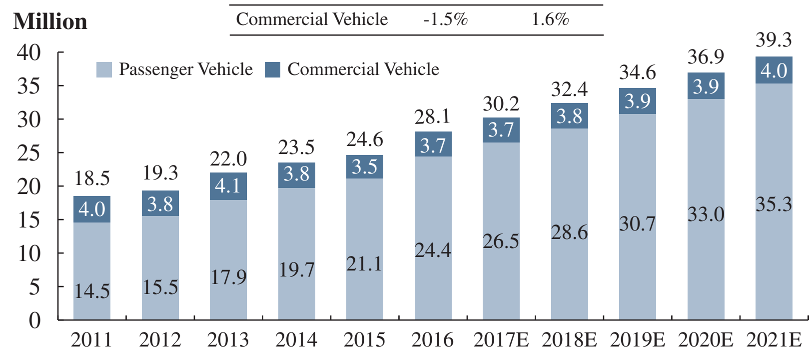


Source: China Association of Automobile Manufacturers, Frost & Sullivan

Sales of Domestically-Produced Passenger and Commercial Vehicles in China

According to the Frost & Sullivan Report, sales volume of domestically-produced passenger and commercial vehicles in China, including both domestic and joint venture vehicle brands, increased from 18.5 million in 2011 to 28.1 million in 2016, representing a CAGR of 8.7%. Frost & Sullivan expects that sales volume of such vehicles in China will continue to increase to 39.3 million by 2021, representing a CAGR of 6.9% from 2016. This growth was primarily driven by sales of passenger vehicles which increased at a CAGR of 11.0% from 2011 to 2016 while sales of commercial vehicles decreased and which are expected to grow at a CAGR of 1.6% from 2016 to 2021, more than four times as fast as the commercial vehicle sales over the same period, according to the Frost & Sullivan Report. The chart below illustrates the historical and projected sales volume of domestically-produced passenger and commercial vehicles in China from 2011 to 2021.

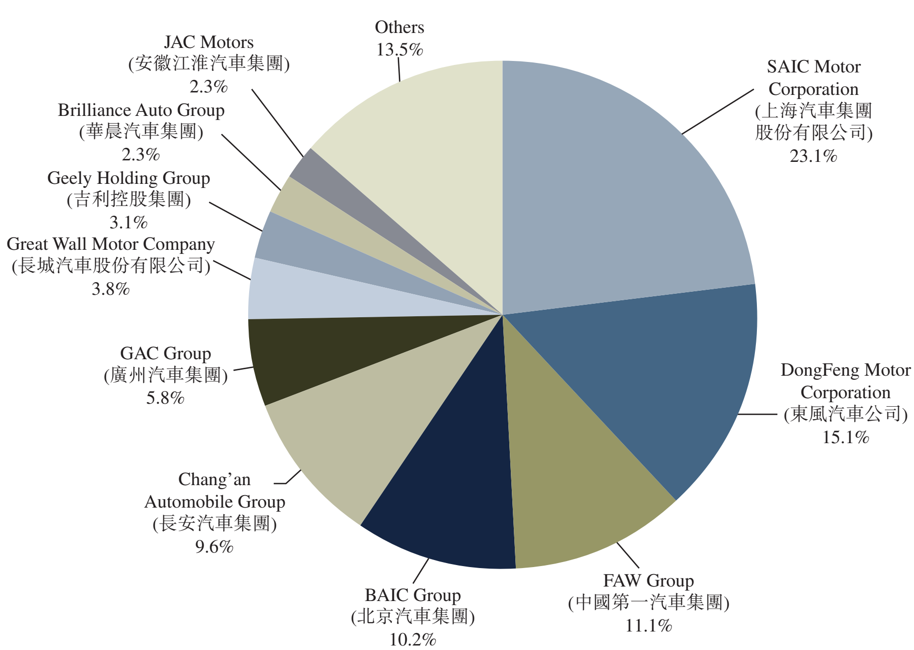
CAGR	2011-2016	2016-2021E
Passenger Vehicle	11.0%	7.7%
Commercial Vehicle	-1.5%	1.6%



Source: China Association of Automobile Manufacturers, Frost & Sullivan estimates

Major Manufacturers of Passenger and Commercial Vehicles in China

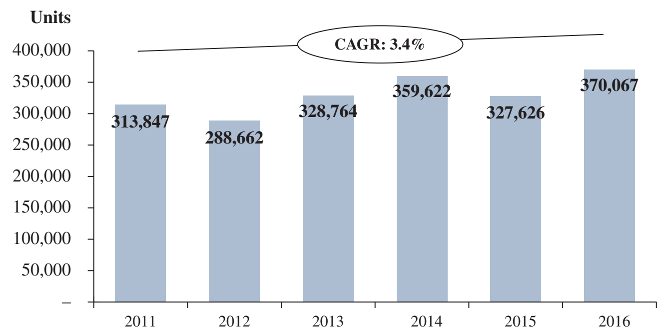
The passenger and commercial vehicle market in China is fairly concentrated with a limited number of major players accounting for the majority of the overall market. In 2016, the top 10 manufacturers of passenger and commercial vehicles in China accounted for 86.5% of total sales volume of domestically-produced passenger and commercial vehicles in China, according to the Frost & Sullivan Report. The chart below illustrates the market share of the top 10 manufacturers of passenger and commercial vehicles in China in terms of sales volume in 2016.



Source: China Association of Automobile Manufacturers, Frost & Sullivan

Industrial Vehicle Market in China

Industrial vehicles are designed and used to transport materials over variable paths with no restrictions on the area covered. Sales volume of industrial vehicle in China has experienced moderate fluctuations in recent years, and grew from 313,847 units in 2011 to 370,067 units in 2016, representing a CAGR of 3.4%, according to the Frost & Sullivan Report. The chart below illustrates the historical sales volume of industrial vehicles in China from 2011 to 2016.



Source: China Construction Machinery Association, Frost & Sullivan

Market Drivers of China's Automobile Industry

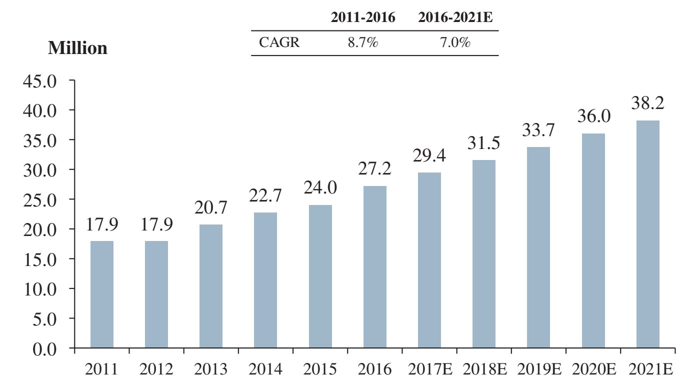
The development of China's automobile industry is primarily driven by the following factors:

- ***Relatively low automobile penetration rate:*** The automobile penetration rate (defined as the number of vehicles per 1,000 people in the population) in China has exceeded 140 automobiles per 1,000 people for the first time at the end of 2016. While this figure is comparable with the global average of 165 automobile per 1,000 people, it is much lower than corresponding ratios in more developed markets, such as the United Sates and major European countries, which generally amounts to approximately 500-600 automobiles per 1,000 people. Such tremendous penetration gap shows a much greater growth potential of China's automobile market.
- ***Urbanization:*** The urbanization rate in China increased from 51.3% in 2011 to 57.3% in 2016, which led to increases in infrastructure investment, consumer spending, and demand for vehicles and vehicle-related products in China. It is expected that the urbanization rate will maintain moderate growth, reaching 64.0% by 2021 as a result of the stable growth of China's economy and the continued promotion of urbanization, according to the Frost & Sullivan Report.
- ***Increased investment in transportation infrastructure:*** The enormous investment in the construction of transportation infrastructure has fueled demand for automobiles in China in the past few years. From 2011 to 2015, China had invested a cumulative amount of RMB13.4 trillion in transportation infrastructure, more than 1.6 times as much as the amount invested in the previous five-year period. Going forward, Chinese government is expected to continue to invest substantially in transportation infrastructure, which in turn could drive growth in China's automobile industry, according to the Frost & Sullivan Report.
- ***Strong government support:*** The Chinese government has recently implemented a series of policies to support the development of the domestic automobile industry, in particular the master plan of "Made in China (2025)", which set out the government's objectives in upgrading the Chinese automobile industry.

CHINA'S AUTOMOBILE ENGINE INDUSTRY

Overview of China's Automobile Engine Industry

Not surprisingly, the rapid growth of China's automobile industry has facilitated growth in the automobile engine market. According to the Frost & Sullivan Report, production volume of automobile engines in China increased from 17.9 million in 2011 to 27.2 million in 2016, representing a CAGR of 8.7%. Such production volume is expected to further increase to 38.2 million by 2021, representing a CAGR of 7.0% from 2016, according to the Frost & Sullivan Report. The chart below illustrates the historical and projected production volume of automobile engines in China from 2011 to 2021.



Source: China Association of Automobile Manufacturers, Frost & Sullivan estimates

Development of Emission Standards for Automobile Engines in China

In recent years, there has been a general increase in public awareness of air pollution issues in China. Vehicles, as a major air pollution contributor, produce significant amounts of nitrogen oxides, carbon monoxide and other hazardous smog-forming emissions that cause long-term damage to air quality. While China's vehicle emission control program history dates to the early 1980s, the modern nationwide control program began in the late 1990s. Subsequent to the successful elimination of leaded gasoline in 2000, China began implementing progressively stringent tailpipe emission standards for light-duty vehicles following the European precedent.

China's vehicle emission standards are set by the Ministry of Environmental Protection of the PRC (the "MEP"). After years of development, China's current nationwide light-duty emission standard is China V (equivalent to the Euro V standard), which was first implemented in Beijing in 2009. Effective January 1, 2017, all light petrol vehicles and heavy diesel vehicles used for public transportation, environmental sanitation and postal services nationwide are required to meet the China V standard.

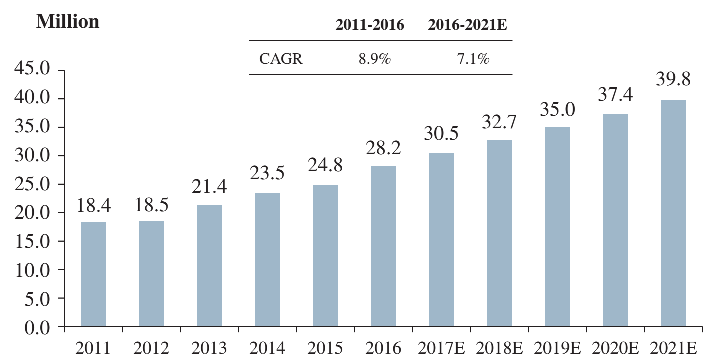
In December 2016, the MEP released the implementation rules of the China VI emission standards. This standard applies to light-duty vehicles powered primarily by gasoline or diesel. The China VI standard will take effect on July 1, 2020. Unlike the previous emission standards adopted in China, which closely follow the European standards, the China VI standard combines best practices from both European and U.S. regulatory requirements in addition to creating its own.

CHINA'S AUTOMOBILE ENGINE SPARE PART INDUSTRY

China's Cylinder Block Market

A cylinder block is a main structure of the automobile engine in which combustion of fuel takes place. It provides space for the required number of cylinders along with the associated surrounding structures, including coolant passages, intake and exhaust passages and crankcases. As a central component of an automobile engine, defect acceptance levels for cylinder blocks need to be very low as it directly affects the engine performance, life and other important indicators.

The cylinder block market in China has experienced steady growth in the past few years. According to the Frost & Sullivan Report, sales volume of cylinder blocks in China increased from 18.4 million in 2011 to 28.2 million in 2016, representing a CAGR of 8.9%, and is expected to reach 39.8 million by 2021, representing a CAGR of 7.1% from 2016. The chart below illustrates the historical and projected sales volume of cylinder blocks in China from 2011 to 2021.

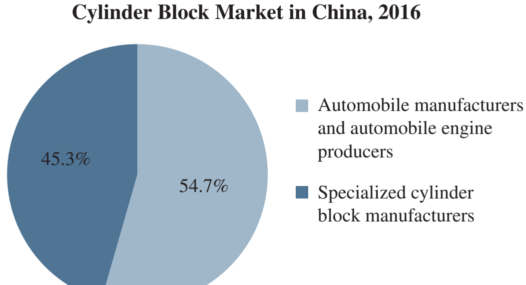


Source: Frost & Sullivan estimates

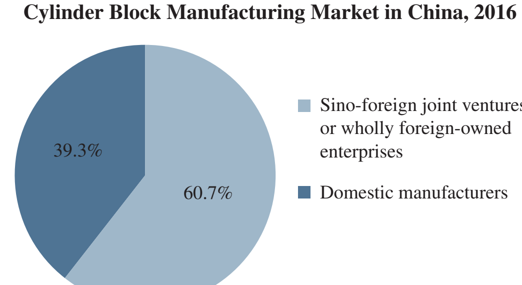
Competitive Landscape of China's Cylinder Block Market

Production of cylinder blocks in China has historically been split between internal production by manufacturers of automobiles and automobile engines and external outsourcing to specialized producers of automobile engine spare parts. According to the Frost & Sullivan Report, in 2016, approximately 54.7% of the cylinder blocks produced in China derived from automobile manufacturers or automobile engine producers. A number of such companies established separate subsidiaries to produce their cylinder blocks, cylinder heads and other key engine spare parts. The remaining 45.3% of the cylinder blocks were produced by specialized cylinder block manufacturers. Among the cylinder blocks produced by such specialized cylinder block manufacturers in 2016, approximately 39.3% were produced by Chinese domestic companies, and the remaining 60.7% were produced by Sino-foreign joint ventures and foreign-funded enterprises.

Competitive Landscape of Cylinder Block Market in China, 2016

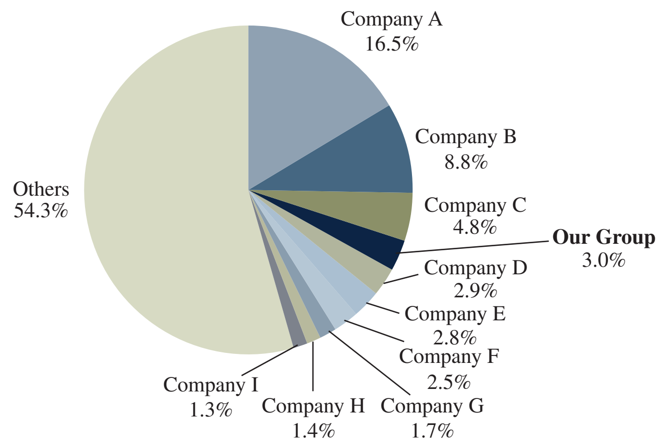


Competitive Landscape of Specialized Cylinder Block Manufacturing Market in China, 2016



Source: Frost & Sullivan

According to the Frost & Sullivan Report, in 2016, the top 10 specialized cylinder block manufacturers in China in terms of sales volume accounted for 45.7% of the market. Our Group ranked fourth with a 3.0% share of the overall market. The chart below illustrates the market share of the top 10 specialized cylinder block manufacturers in China in 2016.

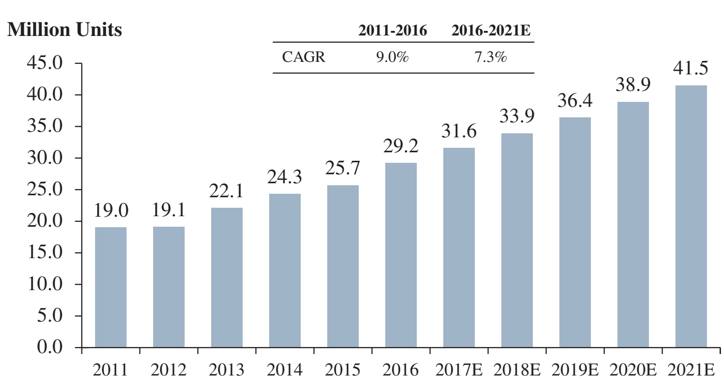


Source: Frost & Sullivan

China's Cylinder Head Market

A cylinder head is a major component of the engine which sits on top of the cylinder block and provides space for passages that feed air and fuel into a cylinder and allow the exhaust to escape. A cylinder head has to withstand high pressure and high temperatures while retaining its shape and form to seal the cylinder block via the head gasket.

The cylinder head market in China has witnessed steady growth in recent years. According to the Frost & Sullivan Report, sales volume of cylinder heads in China increased from 19.0 million in 2011 to 29.2 million in 2016, representing a CAGR of 9.0%, and is expected to reach 41.5 million by 2021, representing a CAGR of 7.3% from 2016. The chart below illustrates the historical and projected sales volume of cylinder heads in China from 2011 to 2021.



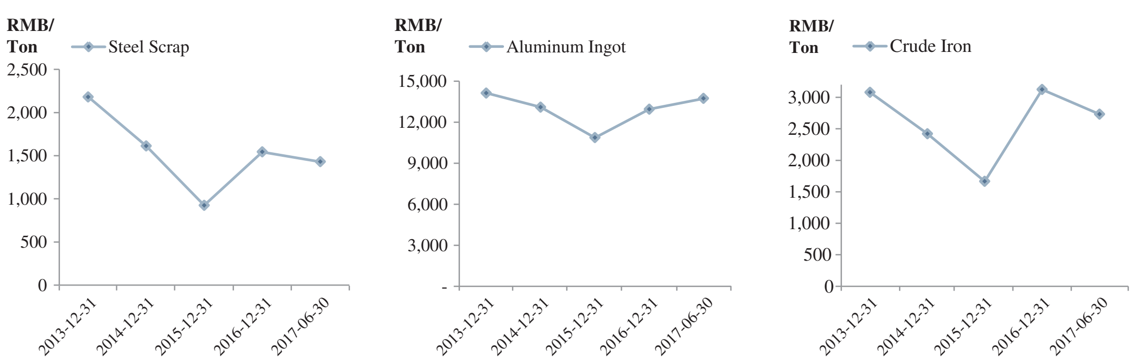
Source: Frost & Sullivan estimates

Competitive Landscape of China's Cylinder Head Market

Similar to China's cylinder block market, production of cylinder heads in China has been split almost equally between internal production by automobile manufacturers and automobile engine producers and external outsourcing to specialized automobile engine spare part producers. According to the Frost & Sullivan Report, among the cylinder heads produced by specialized automobile engine spare part producers in 2016, approximately 40% derived from Chinese domestic companies, and the remaining 60% derived from Sino-foreign joint ventures or wholly foreign-owned enterprises. According to the Frost & Sullivan Report, in 2016, the top 20 specialized cylinder head manufacturers in China in terms of sales volume accounted for 74.9% of the market. Our Group ranked 16th among specialized cylinder head manufacturers in China with a 0.8% share of the overall market.

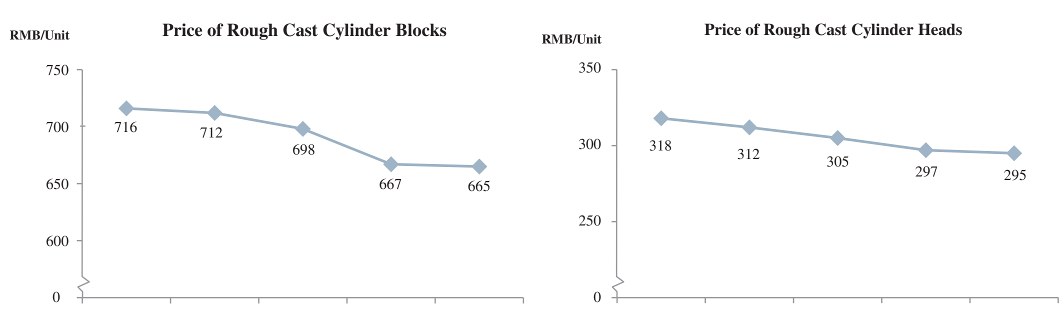
Raw Materials of Cylinder Blocks and Cylinder Heads

Raw material cost is one of the major costs for the production of automobile engine spare parts. Steel scrap, aluminum ingots and crude iron are among the most common raw materials used for the production of cylinder blocks and cylinder heads. The prices of steel scrap, aluminum ingots and crude iron have generally decreased in the past three years, primarily due to the overcapacity of such raw materials. The following charts illustrate the prices of steel scrap, aluminum ingot and crude iron from 2013 to 2016, respectively.



Source: Frost & Sullivan

There was a slight decline in the prices of rough cast cylinder blocks and cylinder heads in the past few years. The following charts illustrate the prices of rough cast cylinder blocks and rough cast cylinder heads from 2013 to June 2017, respectively.



Source: Frost & Sullivan

Flexible Manufacturing in China's Automobile Engine Spare Part Industry

Flexible manufacturing is a technological adaptation of production lines and processes that enables rapid product switches with minimum operating costs. According to the Frost & Sullivan Report, China's automobile engine spare part industry is still at an early stage of implementing flexible manufacturing given a majority of Chinese engine spare part manufacturers are still using the traditional rigid production lines and processes.

According to the Frost & Sullivan Report, a flexible production line has the following core advantages:

- ***Production efficiency:*** A flexible production line enables mixed-model production to manufacture a variety of distinct product models on the same production line, which effectively improves the production utilization rate.
- ***High degree of automation:*** A flexible production line can achieve automated operations as it typically involves automated modular components to respond to different production needs.
- ***Cost efficiency:*** A flexible production line is highly adjustable and can be modified in multiple ways without the need of introducing new production lines, resulting in significant reduction of operating costs.

Developmental Trends of China's Automobile Engine Spare Part Industry

According to the Frost & Sullivan Report, future developmental trends of China's automobile engine spare part industry include the following:

- ***Growing demand for aluminum alloy spare parts:*** Automobile and engine producers will demand lighter weight cylinder blocks in order to increase fuel efficiency (a 10% reduction in vehicle weight can result in an approximately 6%-8% improvement in fuel economy) and reduce emissions, which will result in aluminum alloy cylinder blocks becoming the mainstream cylinder blocks used for car engines. This trend has already begun in more developed markets. For example, the average amount of aluminum in the spare parts of an vehicle that weighs approximately 1.6 tons was approximately 100kg in 2011 (US: 115kg; EU: 105kg; Japan: 92kg), and this amount grew to approximately 150kg in 2016 (US: 160kg; EU: 150kg; Japan: 135kg). China has been quickly catching up with these developed markets at a fast pace in the past few years. The average amount of aluminum in the spare parts of the same type of vehicles in China increased from approximately 65kg per vehicle in 2011 to approximately 100kg per vehicle in 2016, representing a CAGR of approximately 9.0%. Frost & Sullivan expects a wider use of aluminum in the automobile-related industries and an increasing demand for aluminum alloy automobile engine spare parts in China in the future.
- ***Closer cooperation between upstream and downstream market players:*** In recent years, automobile manufacturers and automobile engine spare part producers have changed the ways they collaborate from a traditional model of "processing according to the supplied samples" to data sharing and interactive development among themselves. According to the Frost & Sullivan Report, this is expected to reduce the development period and increase the development success rates of new products, thereby creating greater growth opportunities for both upstream and downstream market players in the automotive and related industries.

- ***Development of new energy vehicles:*** In June 2012, the PRC State Council issued the "Notice on Issuing the Planning for the Development of the Energy-Saving and New Energy Automotive Industry (2012-2020)" (關於印發節能與新能源汽車產業發展規劃(2012–2020年)的通知) to leapfrog the current automotive technologies and support the development of the domestic energy-saving and new energy vehicle industry. Accordingly, automobile engine spare part manufacturers are also expected to put more resources into the research and development of spare parts used in new energy vehicles, according to the Frost & Sullivan Report.

- ***Outsourcing of engine spare part and component production:*** In recent years, there has been an increasing trend of automobile manufacturers in China seeking to outsource the manufacture (including casting and mechanical casting processes) of engine spare parts and components to specialized external producers. By outsourcing, vehicle manufacturers are able to focus more on product design and research and development of their core technologies.

Entry Barriers to China's Automobile Engine Spare Part Industry

According to the Frost & Sullivan Report, China's automobile engine spare part industry has fairly high entry barriers. Specific entry barriers include:

- ***Capital requirements:*** Establishment of an automobile engine spare part company requires large-scale capital investments for the construction of production facilities and other related expenses, including procurement of manufacturing equipment and raw materials, research and development, as well as recruitment of qualified technical personnel. As such, the ability for automobile engine spare part manufacturers to secure sufficient capital is critical.

- ***Highly qualified technical experts:*** The automobile engine spare part market is characterized by evolving industry standards, frequent new product launches and updates, rapidly-developing technologies, and changing customer demands and expectations, and thus requires qualified experts who possess a high level of technical expertise and industry knowledge. The quality of technical experts generally has a direct influence over the quality of products provided by an engine spare part manufacturer. It is difficult for new entrants in the automobile engine spare part market to attract highly qualified technical experts.

- ***Customer stickiness:*** Automobile engine spare part manufacturers are generally required to produce customized products that are designed based on specific customer requirements and standards. Such business model encourages frequent communication and close cooperation between suppliers and customers in the automobile engine spare part market, thereby fostering the establishment of a stable customer base. The significant amount of time and efforts needed to build customer loyalty poses obstacles for new market entrants.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Policy Relating to the Foreign Invested General Equipment Manufacturing Industry

China implements its guidance on foreign investment in different industries through the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》) jointly amended and promulgated by the National Development and Reform Commission and the Ministry of Commerce from time to time. According to the new catalogue which became effective on July 28, 2017, the assemblies and cylinder blocks of internal combustion engines, auto parts manufacturing and machinery parts and components processing fall within the category of permitted foreign invested projects.

Laws and Regulations Relating to the Establishment, Operation and Management of a Wholly Foreign-Owned Enterprise

The establishment, operation and management of corporations in China shall comply with the Company Law of the PRC (《中華人民共和國公司法》) (the "Company Law"), which was promulgated by the Standing Committee of the National People's Congress on December 29, 1993 and became effective on July 1, 1994. The Company Law was finally amended on December 28, 2013, and became effective on March 1, 2014. The Company Law also applies to foreign-invested limited liability companies. Where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, verification and approval procedures, registered capital requirement, foreign exchange restriction, accounting management, taxation and labor matters of a wholly foreign-owned enterprise are subject to the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) which became effective on April 12, 1986 and amended on October 31, 2000 and September 3, 2016, respectively, Implementation Regulation under the Wholly Foreign-owned Enterprise Law of PRC (《中華人民共和國外資企業法實施細則》), which became effective on December 12, 1990 and amended on April 12, 2001 and February 19, 2014 and, Interim Measures for the Administration of Establishment and Modification Registration of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) which became effective on October 8, 2016 and amended on July 30, 2017.

According to the Interim Provisions on the Domestic Investments of Foreign-funded Enterprises (《關於外商投資企業境內投資的暫行規定》) which became effective on September 1, 2000 and was amended on May 26, 2006 and October 28, 2015, foreign-funded enterprises may invest in the encouraged, permitted and restricted projects, and shall not invest in the prohibited projects in the PRC.

Regulations relating to Mergers and Acquisitions by Foreign Investors

According to the Provisions on 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》) promulgated on August 8, 2006 by MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council, State Administration for Industry & Commerce of the PRC, China Securities Regulatory Commission and SAFE, becoming effective on September 8, 2006 and amended on June 22, 2009, merger and acquisition of domestic enterprises by foreign investors shall mean: (1) a foreign investor purchases the equity interest from shareholders of a domestic non-foreign-funded enterprise or subscribes to increase in the registered capital of a domestic company, and thus changes the domestic company into a foreign-funded enterprise; (2) a foreign investor establishes a foreign-invested enterprise, and through which it purchases the assets of a domestic enterprise by the agreement and operates such assets; (3) a foreign investor purchases the assets of a domestic enterprise by agreement and invests such assets to establish a foreign-funded enterprise and operate such assets. Where a foreign investor intends to establish a foreign-funded enterprise by merging a domestic enterprise, it shall, in accordance with these Provisions, be subject to the approval of the examination and approval organ and modify the registration or go through the establishment registration in the registration administrative organ. According to Interim Measures for the Administration of Establishment and Modification Registration of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) which became effective on October 8, 2016 and amended on July 30, 2017, where a foreign investor intends to establish a foreign-funded enterprise by merging a domestic enterprise, it shall be subject to filing of competent authority of commerce.

Laws and Regulations Relating to Dividend Distribution

Under the Law of the PRC on Foreign-Owned Enterprises (《中華人民共和國外資企業法》), which was promulgated by the National People's Congress of the PRC and became effective on April 12, 1986 and subsequently amended by the Standing Committee of the National People's Congress on October 31, 2000 and September 3, 2016, respectively and the Implementation Regulations on the Law of the PRC on Foreign-Owned Enterprises (《中華人民共和國外資企業法實施細則》) finally amended by the State Council on February 19, 2014, a foreign investor may remit abroad legal profits and other legal earnings from a foreign-owned enterprise, as well as any remaining funds when the enterprise is liquidated. No profit shall be distributed until the losses of foreign-owned enterprises in previous accounting years are recovered. Undistributed profit in previous accounting years may be distributed with distributable profit for the current accounting year.

Pursuant to the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was promulgated by the SAT and became effective on August 21, 2006, a withholding tax rate of 5% shall apply to the dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident holds at least 25% of the equity interests in the PRC company, and withholding tax rate of 10% shall apply if the Hong Kong resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the Circular on Relevant Issues Relating to the Implementation of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》), (Guo Shui Han [2009] No. 81) which was promulgated by the SAT and became effective on February 20, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate required in the tax agreement for the dividends paid to it by a Chinese resident company: (1) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (2) all the owner's interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (3) the capital of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reaches a percentage specified in the tax agreement.

Pursuant to the Announcement in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residential Taxpayers under Tax Agreement (《關於發佈<非居民納稅人享受稅收協定待遇管理辦法>的公告》) (Announcement issued by State Administration of Taxation 2015 No. 60) which was published by the SAT on August 27, 2015 and became effective on November 1, 2015, if non-resident taxpayers receiving dividends from Chinese resident enterprises need to enjoy the preferential treatment under tax agreement, they shall submit relevant reports and materials when they or their withholding agents make declarations. If the non-resident taxpayers are entitled to but do not enjoy the preferential treatment under tax agreement and accordingly pay over-deducted amount, they or their withholding agents could apply for refund of the over-deducted amount to the relevant tax authority over a period of time and submit relevant reports and materials and supplement of the condition of enjoying preferential treatment under tax agreement.

PRC LAWS AND REGULATIONS RELATING TO TAXATION AND FOREIGN EXCHANGE

Laws and Regulations Relating to Administration of Foreign Exchange

The administration of foreign exchange system in the PRC is stringent and has undergone several profound changes. Regulations of the PRC on Foreign Exchange Control (《中華人民共和國外匯管理條例》) ("Regulations on the Foreign Exchange") was promulgated by the State Council on January 29, 1996 and implemented on April 1, 1996, and subsequently amended on January 14, 1997 and August 5, 2008, being the existing major regulations on the foreign exchange and applicable to the income and expenditures of the foreign exchange or foreign exchange operating activities for the organizations and individuals residing in the PRC as well as the income and expenditures of the foreign exchange or foreign exchange operating activities for the organizations and individuals residing aboard. The Regulations on the Administration 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 June 20, 1996 and implemented on July 1, 1996 stipulates the matters such as settlement and purchase of and payment in foreign exchange as well as the opening of foreign exchange accounts and the overseas payment for the local institutions, resident individuals, organizations established in the PRC and the personnel coming to the PRC.

According to the current Regulations on the Foreign Exchange, Chinese government allows foreign exchange to be retained by the local organizations and individuals without compulsory sale and settlement, the income from whom can be transferred to the PRC or overseas according to the regulations. The PRC has realised the exchange for recurring items in RMB. For the recurring income from the foreign exchanges items of the local enterprises, they can decide to retain or sell to financial institutions operating foreign exchange settlement and sale business depending on their own requirements. For the recurring expenditure incurred for the foreign exchange items of the local enterprises, enterprises pay by its own foreign exchange with valid certificates or by purchasing foreign exchanges from the financial institution operating settlement and sale of foreign exchange depending on their own requirement. The convertibility of RMB (into foreign currency) for capital account items is not available yet in the PRC and capital account items is still under restriction. Offshore institutions and individuals who directly invest in and issue negotiable securities or derivatives products in the PRC, as well as the onshore institutions and individuals who directly invest in or issue the negotiable securities or derivatives products beyond the PRC, shall go through the registration in accordance with the provisions of foreign exchange departments of the State Council. The onshore enterprises borrowing foreign debts or guarantee externally shall go through the registration of foreign debts and external guarantee. Foreign income from capital items' retaining or sale to the financial institution operating foreign exchange settlement and sale business shall be approved by the foreign exchange regulatory authorities (except for that no need require for approval regulated by the State). The capital from the capital item foreign exchange and settlement shall be used in regard with the purpose approved by the related competent authorities and foreign control authorities.

According to the Notice of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments 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》) (Hui Fa No. 37 [2014]) promulgated and implemented by the SAFE on July 4, 2014, to replacing the former SAFE Circular 75 effective on November 1, 2005, domestic residents, including domestic institutions and domestic residents natural persons shall register with the SAFE before contributing money to offshore special purpose vehicles ("SPVs") using legitimate domestic and overseas assets or rights and interests. According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policies on Direct Investments (《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》) (Hui Fa No. 13 [2015]) promulgated on February 13, 2015 by SAFE and becoming effective on June 1, 2015, first foreign exchange filing for domestic residents for establishment of or control over SPVs can be done with qualified bank instead of local administration of foreign exchange.

According to the Circular of the State Administration of Foreign Exchange Concerning Reform of the Administrative Approaches to Settlement of Foreign Exchange Capital 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》) (Hui Fa No. 19 [2015]) promulgated on March 30, 2015 by SAFE and implemented since June 1, 2015, voluntary settlement is implemented on foreign exchange capital of foreign-invested enterprises ("FIEs"); foreign exchange capital in the FIE's capital account, recognized by the foreign exchange authority as the right and interest of cash contribution (or registered by the bank for accounting entry of cash contribution), can be settled in banks according to its actual business requirements. The provisional percentage for the voluntary settlement of foreign exchange capital of FIEs is 100%. SAFE may adjust the aforesaid percentage in due time according to the international receipts and payments situation. In addition, FIEs' capital and RMB funds from their settlement shall not be used for the following purposes: (1) directly or indirectly used for payment beyond the business scope or prohibited under the laws and regulations of the State; (2) directly or indirectly used for securities investments, unless otherwise prescribed under the laws and regulations; (3) directly or indirectly used for the extension of RMB entrusted loans (unless permitted by the business scope), repayments of inter-enterprise borrowings (including third-party advances), and repayments of RMB bank loans already refinanced to any third party; (4) used for the payment of expenses related to the purchase of real estate not for self-use, except for foreign-invested real estate enterprises.

Certification of High-Tech Enterprises

According to the Notice of Revising and Issuing the Administrative Measures for the Certification of High-Tech Enterprises (《關於修訂印發<高新技術企業認定管理辦法>的通知》(Guo Ke Fa Huo [2016] No. 32)), which was amended by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on January 29, 2016 and became effective on January 1, 2016, resident enterprises registered in the PRC (excluding Hong Kong, Macau and Taiwan) which, within the scope regulated by the Field of High and New Technology with the Key Support by the Country (《國家重點支持的高新技術領域》), conduct ongoing research and development as well as transformation of technological achievements and form the enterprise core independent intellectual property rights based on which business activities are carried out, are certified as High-tech enterprises. The science and technology administration department of each province, autonomous region, municipality directly under the Central Government and municipality with independent planning status, together with the departments of finance and taxation of the same level, shall constitute the local competent authority for certification of High-tech enterprises to conduct certification for enterprises within the corresponding administrative areas and award the Certificate of High and New Technology Enterprises (《高新技術企業證書》) to qualified enterprises. The qualification of the certified High-tech enterprises shall be valid for a period of three years commencing from the date of issuance. Should any name change or any material change in connection with the certification criteria (e.g. division, merger, reorganization and changes in business activities) occur, the High-tech enterprises shall report to the certification authority within three months. Enterprises approved by the certification authority and satisfying the certification criteria shall remain their qualification as High-tech enterprises. Enterprises with name changes shall be recertified prior to obtaining a new certificate with the number and validity period unchanged. Unqualified enterprises shall have their qualification as High-tech enterprises cancelled since the year of changes in name or criteria.

Laws and Regulations Relating to Taxation

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》) (Order No. 63 [2007] of the President), which was promulgated by the NPC on March 16, 2007 and came into effect on January 1, 2008, Decisions on Amendments to the Enterprise Income Tax Law of the PRC (《關於修改<中華人民共和國企業所得稅法>的決定》) (Order No. 64 of the President), which was promulgated by the Standing Committee of the NPC and came into effect on February 24, 2017, and Implementation Regulations on Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (Order No. 512 [2007] of the State Council), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, enterprises are divided into resident enterprise and non-resident enterprise. A resident enterprise refers to an enterprise that is legally established inside the PRC, or which is established under the law of a foreign country (region) but whose actual management body is inside the PRC. A resident enterprise shall pay the enterprise income tax on its incomes arising within the PRC or overseas at the tax rate of 25%. A non-resident enterprise having offices or establishments inside the PRC shall pay enterprise income tax on its incomes earned by such offices or establishments from inside the PRC as well as its incomes which is earned outside the PRC but is actually associated with such offices or establishments at the tax rate of 25%. A non-resident enterprise having no office or establishment inside the PRC, or whose incomes have no actual connection to its office or establishment inside the PRC shall pay enterprise income tax on its incomes derived from inside the PRC at the reduced rate of 10%.

According to the Circular of State Administration of Taxation on Issues Concerning Implementation of Preferential Enterprise Income Tax Treatment for High-Tech Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠有關問題的通知》) (Guo Shui Han [2009] No. 203) promulgated by SAT on April 22, 2009 and implemented since January 1, 2008, and Circular of Printing the Administrative Measures for Recognition of High-Tech Enterprises (《關於印發<高新技術企業認定管理辦法>的通知》) (Guo Ke Fa Huo [2016] No. 32) amended by Ministry of Science and Technology, MOF and SAT on January 29, 2016 and came into effect since January 1, 2016, upon the accreditation of the qualification of High-tech enterprises, such enterprises may apply for the entitlement of the preferential enterprise income tax treatment since the current year beginning from the valid period approved by the accreditation. Enterprises with "High-Tech Enterprise Certificate" (高新技術企業證書) along with its copies and relevant information may apply to competent tax authorities for tax reduction or exemption. Upon the fulfillment of those procedures, the high and new technology enterprise can make advance enterprise income tax declaration at a tax rate of 15% or enjoy a transitional preferential tax treatment.

Business Tax

According to the Provisional Regulations of the People's Republic of China on Business Tax (《中華人民共和國營業稅暫行條例》) (the State Council Order No. 540), which was amended by the State Council on November 10, 2008 and became effective on January 1, 2009, and the Implementing Rules for the Provisional Regulations of the People's Republic of China on Business Tax (《中華人民共和國營業稅暫行條例實施細則》) (the Ministry of Finance Order No. 65), which was amended by the Ministry of Finance on October 28, 2011 and put into force on November 1, 2011, all institutions and individuals who provide taxable labor services, transfer intangible assets or sell immovable property within the PRC shall pay business tax at a rate of 3% to 20%. Among which, taxable labor services refer to labor services within the tax levying scope of transportation industry, construction industry, finance and insurance industry, post and telecommunication industry, cultural and sports industry, entertainment industry and service industry.

According to the Notice on Implementing the Nationwide Pilot Reform for Levying Value-Added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) promulgated by the Ministry of Finance and State Administration of Taxation on March 23, 2016 and effective from May 1, 2016, a value-added tax is imposed on entities and individuals which sell services, intangible property or real estate within the PRC. State Administration of Taxation is responsible for levying value-added tax in lieu of business tax. A taxpayer who conducts taxable behaviors that are appropriate for zero tax rate shall report to taxation authorities regularly for tax refunds or tax exemption.

Value-added Tax

According to the Provisional Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and implemented on January 1, 1994 and finally amended on February 6, 2016 and the Detailed Rules for Implementation of the Provisional Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) amended by the Ministry of Finance on October 28, 2011 and implemented on November 1, 2011, entities and individuals engaged in selling goods or providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. A tax rate of 13% shall be levied on general taxpayers selling or importing grain, edible vegetable oil, tap water, heating supply, air-conditioning, hot water, gas, liquefied petroleum gas, natural gas, marsh gas, coal products for civil use, books, newspapers, magazines, feedstuff, chemical fertilizer, pesticide, farming machines, mulching films and other goods specified by the State Council. The rate applicable to goods exported by taxpayers shall be zero unless otherwise prescribed by the State Council. A tax rate of 17% shall be levied on taxpayers selling or importing goods other than the above-mentioned items and on taxpayers providing processing, repair or replacement services.

Stamp Duty

According to the Provisional Regulations of the People's Republic of China on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council on August 6, 1988, implemented on October 1, 1988 and amended on January 8, 2011, all entities and individuals executing or receiving the taxable documents specified under this regulation within the PRC are subject to the stamp duty. The certificate subject to such duty includes (1) sales, processing and contracting, contracting of construction projects, property leasing, transportation of goods, warehousing and storage, money-lending, insurance of properties, technical contracts or evidence of a contractual nature; (2) instruments of properties transfer; (3) sales ledger; (4) certificates of rights and licenses; and (5) other taxable documents specified by the Ministry of Finance. Taxpayers shall pay the tax amount calculated according to the nature of taxable documents based on a flat rate or on a fix number basis.

Municipal Maintenance and Construction Tax and Education Surcharge

According to the Notice of the State Council on Unifying the Municipal Maintenance and Construction Tax and Education Surcharge System of Domestic Enterprises, Foreign-Owned Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) (Guo Fa [2010] No. 35) which was promulgated by the State Council on October 18, 2010 and became effective on December 1, 2010, the Interim Regulations on Municipal Maintenance and Construction Tax of PRC (《中華人民共和國城市維護建設稅暫行條例》) and the Interim Provisions on the Imposition of Education Surcharge (《徵收教育費附加的暫行規定》), municipal maintenance and construction tax and education surcharge shall be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals.

Under the Interim Regulations on Municipal Maintenance and Construction Tax of PRC (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council on February 8, 1985 and subsequently amended on January 8, 2011, any taxpayer, whether an individual or otherwise, of consumption tax, value-added tax and business tax shall be required to pay municipal maintenance and construction tax. Payment of municipal maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area, county or town.

Under the Interim Provisions on the Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council on April 28, 1986 and as subsequently amended on June 7, 1990, August 20, 2005 and January 8, 2011 respectively, any taxpayer, whether an individual or otherwise, of consumption tax, value-added tax or business tax shall be required to pay education surcharge. The tax rate of the education surcharge is 3% of the value-added tax, business tax and consumption tax actually paid by a taxpayer, and the education surcharge shall be paid simultaneously with value-added tax, business tax and consumption tax.

PRC LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Copyright Law

According to the Copyright Law of the PRC (《中華人民共和國著作權法》), which was amended on February 26, 2010 and became effective on April 1, 2010, Chinese citizens, legal entities or other organizations shall enjoy the copyright in their works, whether published or not, which include works of literature, art, natural sciences, social sciences, engineering and technology, etc. Copyright owners shall enjoy various kinds of rights, including the right of publication, right of authorship and right of reproduction. Computer software is included in the protection category of copyright, and its protective measures shall be formulated separately by the State Council.

Patent Law

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) which was amended on December 27, 2008 and became effective on October 1, 2009, the patent administration departments of the State Council are responsible for the administration of patents across the nation. The patent administration departments of provincial, autonomous region or municipal governments are responsible for administering patents within their respective jurisdictions. The PRC patent system adopts a "first come, first file" principle, which means where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Invention patents are valid for twenty years, while utility model patents and design patents are valid for ten years, commencing from the date of application. The patentee shall pay annual fees commencing from the year when the parent right is granted. If the patentee doesn't pay annual fees according to the requirements, the patent will be terminated prior to its expiry. Other person must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights. The infringer must, in accordance with the applicable regulations, undertake to cease the infringement, take remedial action and/or pay damages.

Trademark Law

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) which was amended on August 30, 2013 and became effective on May 1, 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to commodities for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. If a trademark registrant wishes to use a trademark after the expiration of the duration of the trademark registration, according to the requirements, a registration renewal application should be filed within twelve months prior to the expiration. Each registration renewal is valid for ten years. Using a trademark that is identical with a registered trademark on the same commodities without the licensing of the registrant of the registered trademark; or using a trademark that is similar to a registered trademark on the same commodities, or using a trademark that is identical with or similar to the registered trademark on similar commodities without the licensing of the registrant of the registered trademark, which is likely to cause confusion; selling commodities that infringe upon the exclusive right to use a registered trademark; forging, manufacturing a registered trademark which was registered by others without authorization, or selling a registered trademark forged or manufactured without authorization; changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; providing, intentionally, convenience for activities infringing upon others' exclusive right to use a registered trademark, and facilitating others to commit infringement on the exclusive right to use a registered trademark, constitutes an infringement of the exclusive right to use a registered trademark. The infringer must undertake to cease the infringement, take remedial action and pay damages. The infringer also may be subject to fines or even criminal punishment.

Domain Names

Pursuant to the Administrative Measures on China Internet Domain Names (Order No. 30 of the Ministry of Industry and Information Technology) (《中國互聯網絡域名管理辦法》信息產業部令第30號) which was promulgated on November 5, 2004 and became effective on December 20, 2004 by the Ministry of Industry and Information Technology, the Ministry of Industry and Information Technology is in charge of the administration of PRC Internet domain names. The domain name services follow a "first come, first file" principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

PRC LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY AND LABOR

Production Safety Law of the PRC

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the "Production Safety Law") promulgated by the Standing Committee of the National People's Congress on June 29, 2002, amended on August 27, 2009 and August 31, 2014 and effective on December 1, 2014, enterprises and institutions shall be equipped with the conditions for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not equipped with such conditions is not allowed to engage in production and business operation activities. Enterprises and institutions shall educate their employees regarding production safety. In addition, enterprises and institutions shall provide personal protective equipment that meet national standards or industrial standards to the employees, and supervise and educate them to use such equipment.

Labor Laws and Regulations

Pursuant to the Law of the PRC on Labor (《中華人民共和國勞動法》) which was promulgated on July 5, 1994 and amended on August 27, 2009, the Law of the PRC on Labor Contract (《中華人民共和國勞動合同法》) which was promulgated on December 28, 2012 and became effective on July 1, 2013 and its Implementing Regulations of the Law of the PRC on Labor Contract (Order No. 535 of the State Council) (《中華人民共和國勞動合同法實施條例》) which was promulgated by State Council and became effective on September 18, 2008, domestic enterprises adopt labor contract-based employment as the basic form of employment. An employer should sign a written labor contract with the worker within one month after commencement of employment.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (Order No. 35 of the President) (《中華人民共和國社會保險法》) which was promulgated by NPC Standing Committee on October 28, 2010 and became effective on July 1, 2011, the Interim Regulations on Collection of Social Insurance Premiums (Order No. 259 of the State Council) (《社會保險費徵繳暫行條例》) which was promulgated and enforced by the State Council on January 22, 1999, the Interim Measures for Registration and Administration of Social Insurance (Order No. 1 of the Ministry of Labor and Social Security) (《社會保險登記管理暫行辦法》) which was promulgated and enforced by the Ministry of Labor and Social Security (which has been cancelled) on March 19, 1999, the Regulations on Work-Related Injury Insurance (《工傷保險條例》) which was issued by the State Council on April 27, 2003 and amended on December 20, 2010, the Regulation of Insurance for Unemployment (Order No.258 of the State Council) (《失業保險條例》) which was promulgated and enforced by the State Council on January 22, 1999, the Trial Measures for Maternity Insurance for Enterprise Employees (Lao Bu Fa [1994] No. 504) (《企業職工生育保險試行辦法》) which was promulgated by the Ministry of Labor and Social Security (which has been cancelled) on December 14, 1994 and became effective from January 1, 1995, an employer shall pay social insurance premiums for its workers on time and in full, including basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. For an employer who fails to pay its portion of social insurance premiums in full and on time, the collecting institutions of social insurance premiums have the right to order it to pay or complement within a stipulated period, and shall also impose a late fee at the rate of 0.05% per day, calculated from the date the payment becomes overdue. In the event that the payment is still not made within the stipulated period, relevant administration department may impose a fine above the overdue amount but less than its triple.

Pursuant to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》) revised by the State Council on March 24, 2002 and became effective on the same day, an employer shall pay housing provident funds for its workers on time and in full. For an employer who fails to pay or pays an amount less than its portion of the housing provident fund, it may be ordered by the housing provident fund management center (住房公積金管理中心) to pay any outstanding contributions into a designated account within a stipulated period. In the event that the payment is still not made within the stipulated period, the housing provident fund management center may apply to the people's court for mandatory enforcement.

PRC LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "Product Quality Law"), which was last amended on and became effective from July 8, 2000. The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law. According to the Product Quality Law, consumers or other victims who suffer personal injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility for product defects lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa. Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or the producer may be ordered to suspend operation and its business license may be revoked. Criminal liability may be incurred in serious cases.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "Environmental Protection Law") was promulgated and effective on December 26, 1989 and amended on April 24, 2014. The Environmental Protection Law requires all units that cause environmental pollution and other public hazards shall set up a responsibility system for environmental protection. These units shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities. According to the Environmental Protection Law, the design, construction and commission of installations for the prevention and control of pollution at a construction project shall be conducted at the same time with that of the principal parts of the projects.

According to the Environmental Impact Assessment Law of the People's Republic of China (中華人民共和國環境影響評價法) (the "Environmental Impact Assessment Law"), which was promulgated on October 28, 2002, came into effect on September 1, 2003 and was amended on July 2, 2016, the Environmental Impact Assessment Law categorizes the assessment of environmental impact of construction projects according to their degree of environmental impact. The construction unit shall prepare an environmental impact report, an environmental impact statement or an environmental impact record as required according to the environmental impact degree.

According to the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects (建設項目竣工環境保護驗收管理辦法), which was promulgated on December 27, 2001, became effective on February 1, 2002, and was amended on December 22, 2010, each construction project is subject to the inspection and acceptance of the Ministry of Environmental Protection or its local counterparts upon the completion of construction.

According to the Environmental Protection Law and the Interim Provisions on the Management of Pollution Discharging License (排污許可證管理暫行規定), which was promulgated and became effective on December 23, 2016, enterprises and other producers which discharge pollutions into the environment shall gain a Pollution Discharging License (排污許可證) from the competent authority. And no pollutions shall be discharged into the environment without such License. Pursuant to the Interim Provisions on the Management of Pollution Discharging License, the initial Pollution Discharging License issued in accordance with the provisions thereof is valid for three years, while the validation period of the renewal License is five years.

HISTORY AND DEVELOPMENT

Our Group was founded in June 2002 by Mr. LZ Meng, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu, each being our Controlling Shareholder, together with several other individuals and Baoding Changcheng Engine, when Lingfeng Engine, one of the predecessor companies of Hebei Ruifeng, was established as a limited liability company in the PRC principally engaged in the manufacture and processing of cylinder blocks. Before the establishment of our Group, Mr. LZ Meng, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu had been working in a cylinder block manufacturing factory, each with more than seven years of working experience in the cylinder block manufacturing industry; in particular, Mr. LZ Meng had been serving as the plant manager of the factory. Please refer to the section headed "Directors and Senior Management" in this prospectus for further details about Mr. LZ Meng, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu.

Key Milestones

The following table summarizes the key milestones in the corporate and business development of our Group:

Year	Milestones
2002	Lingfeng Engine was established.
2003	Hebei Ruifeng Engine was established.
	We commenced production and sales of cylinder heads and cylinder blocks.
2007	Hebei Ruifeng was established.
2009	Hebei Ruifeng Engine and Lingfeng Engine were merged into Hebei Ruifeng.
2012	We obtained the ISO/TS 16949 certification which was subsequently renewed in 2015.
2013	We were recognized as a "Leading Enterprise of Industrial Clusters in Hebei Province* (河北省產業集群龍頭企業)".
	We were recognized as a "Leading Enterprise in Automobile Spare Parts Manufacturing Industry in Hebei Province* (河北汽車配件製造業排頭兵企業)".
	We were credited as a "Famous Brand Enterprise in Hebei Province* (河北省著名商標企業)".
2015	We started to design and construct our integrated smart manufacturing process.
2016	We were recognized as an "Enterprise Technology Research and Development Center in Hebei Province* (河北省企業技術中心)".

ESTABLISHMENT OF AND MAJOR CHANGES CONCERNING HEBEI RUIFENG AND ITS PREDECESSOR COMPANIES

During the Track Record Period, the principal business of our Group had been operated through our principal operating subsidiary, namely, Hebei Ruifeng. The establishment of and major changes concerning Hebei Ruifeng and its predecessor companies are set out below.

(1) Establishment of Lingfeng Engine in June 2002

Lingfeng Engine, one of the predecessor companies of Hebei Ruifeng, was established as a limited liability company under the laws of the PRC on June 3, 2002. It was principally engaged in the manufacture and processing of cylinder blocks.

The initial registered capital of Lingfeng Engine, amounting to RMB500,000, had been paid up in cash by, and was held by, the initial registered shareholders for themselves and/or as nominees on behalf of a total of 73 individuals, who are our employees or former employees. The nominee shareholding arrangements were intended to simplify the corporate management and administrative formalities with which Lingfeng Engine would have to comply so as to promote its operational efficiency and to facilitate its corporate development with a relatively stable and simplified list of registered shareholders. The following table sets forth further details of the shareholding structure of Lingfeng Engine at the time of its establishment:

Name of registered shareholder	Amount of registered capital held and shareholding percentage		Name of beneficial owner	Amount of registered capital contributed and contribution percentage	
	(RMB)	*(%)*		*(RMB)*	*(%)*
Baoding Changcheng Engine	100,000	20.00	Itself *(Note 3)*	100,000	20.00
Mr. LZ Meng *(Note 8)*	50,000	10.00	Mr. FC Meng *(Note 4)*	15,000	3.00
			18 individuals *(Note 4)*	35,000	7.00
Ms. Yin *(Note 1)*	50,000	10.00	Mr. Wang *(Note 1)*	20,000	4.00
			Seven individuals *(Notes 1 and 4)*	30,000	6.00
Mr. YX Zhang	50,000	10.00	Himself *(Note 7)*	20,000	4.00
			10 individuals *(Note 4)*	30,000	6.00
Mr. Ren	50,000	10.00	Himself *(Note 4)*	41,000	8.20
			Six individuals *(Note 4)*	9,000	1.80

Name of registered shareholder	Amount of registered capital held and shareholding percentage		Name of beneficial owner	Amount of registered capital contributed and contribution percentage	
	(RMB)	*(%)*		*(RMB)*	*(%)*
Mr. EW Liu	50,000	10.00	Himself	16,000	3.20
			Five individuals *(Note 4)*	34,000	6.80
Mr. ZB Zhang	50,000	10.00	Himself	35,000	7.00
			Six individuals *(Note 4)*	15,000	3.00
Mr. ZW Liu	50,000	10.00	Himself *(Notes 5 and 6)*	23,000	4.60
			Mr. H Liu *(Note 5)*	500	0.10
			Ms. You *(Note 6)*	500	0.10
			10 individuals *(Notes 2 and 4)*	26,000	5.20
Ms. ML Liu	50,000	10.00	Herself	27,000	5.40
			Ms. XS Zhang *(Note 7)*	5,000	1.00
			Ms. Zhao *(Note 8)*	10,000	2.00
			Five individuals *(Note 4)*	8,000	1.60
Total	500,000	100.00		500,000	100.00

Notes:

(1) Ms. Yin is the spouse of Mr. Wang. She held RMB50,000 of the registered capital in Lingfeng Engine as nominee on behalf of Mr. Wang, of which RMB20,000 were beneficially owned by Mr. Wang and RMB30,000 were in turn held by Mr. Wang as nominee on behalf of seven individuals.

(2) These 10 individuals include three individuals whose registered capital in Lingfeng Engine was held by Mr. ZW Liu as nominee on behalf of Mr. LZ Meng, who in turn held such registered capital as nominee on behalf of these three individuals.

(3) Baoding Changcheng Engine was dissolved on October 18, 2016. Prior to its dissolution, save that it was a former shareholder of Lingfeng Engine, it was not directly or indirectly related to our Company or any of our connected persons.

(4) Each of these individuals, save those that have passed away, is an Independent Third Party and is not directly or indirectly related to any of our connected persons.

(5) Mr. H Liu is the son of Mr. ZW Liu and the spouse of Ms. You.

(6) Ms. You is the spouse of Mr. H Liu and the daughter-in-law of Mr. ZW Liu.

(7) Ms. XS Zhang is the daughter of Mr. YX Zhang.

(8) Ms. Zhao is the spouse of Mr. LZ Meng.

(2) Establishment of Hebei Ruifeng Engine in October 2003

Hebei Ruifeng Engine, another predecessor company of Hebei Ruifeng, was established as a limited liability company under the laws of the PRC on October 31, 2003. It was principally engaged in the manufacture and processing of cylinder blocks. At the time of establishment, Hebei Ruifeng Engine's registered capital amounted to RMB2,000,000, which was contributed by the beneficial owners and had been paid up by the registered shareholders for themselves and for and on behalf of the other beneficial owners by way of injection of certain assets of Hebei Cylinder Block Factory* (河北省內燃機缸體廠) acquired by Mr. LZ Meng, Mr. ZW Liu, Mr. YX Zhang, Mr. EW Liu, Ms. ML Liu, Mr. ZB Zhang and Mr. Ren for themselves and on behalf of Mr. Wang, Mr. Xu, Mr. Guo, Mr. Li and Mr. FC Meng in a judicial auction authorized by Hengshui Intermediate People's Court* (衡水市中級人民法院) on September 16, 2003. Such assets comprised machinery and equipments, premises, land use rights, vehicles, low value consumables and inventories of production materials, work-in-progress and finished goods.

The initial registered capital of Hebei Ruifeng Engine was held by the initial registered shareholders for themselves and/or as nominees on behalf of a total of 80 individuals, who are our employees or former employees and had made payments in cash to their respective nominees according to their respective shareholdings of Hebei Ruifeng Engine. The nominee shareholding arrangements were intended to simplify the corporate management and administrative formalities with which Hebei Ruifeng Engine would have to comply so as to promote its operational efficiency and to facilitate its corporate development with a relatively stable and simplified list of registered shareholders. The following table sets forth further details of the shareholding structure of Hebei Ruifeng Engine at the time of its establishment:

Name of registered shareholder	Amount of registered capital held and shareholding percentage		Name of beneficial owner	Amount of registered capital contributed and contribution percentage	
	(RMB)	*(%)*		*(RMB)*	*(%)*
Mr. LZ Meng	400,000	20.00	Himself *(Note 5)*	258,000	12.90
			Mr. FC Meng *(Note 1)*	3,000	0.15
			27 individuals *(Note 1)*	139,000	6.95
Mr. Wang	200,000	10.00	Himself	163,000	8.15
			Five individuals *(Note 1)*	37,000	1.85
Mr. YX Zhang	200,000	10.00	Himself *(Note 4)*	140,000	7.00
			10 individuals *(Note 1)*	60,000	3.00

Name of registered shareholder	Amount of registered capital held and shareholding percentage		Name of beneficial owner	Amount of registered capital contributed and contribution percentage	
	(RMB)	*(%)*		*(RMB)*	*(%)*
Mr. Ren	200,000	10.00	Himself *(Note 1)*	186,000	9.30
			Two individuals *(Note 1)*	14,000	0.70
Mr. EW Liu	200,000	10.00	Himself	182,000	9.10
			Three individuals *(Note 1)*	18,000	0.90
Mr. ZB Zhang	200,000	10.00	Himself	169,000	8.45
			Eight individuals *(Note 1)*	31,000	1.55
Mr. ZW Liu	200,000	10.00	Himself *(Notes 2 and 3)*	157,000	7.85
			Mr. H Liu *(Note 2)*	8,000	0.40
			Ms. You *(Note 3)*	8,000	0.40
			Five individuals *(Note 1)*	27,000	1.35
Ms. ML Liu	200,000	10.00	Herself	177,000	8.85
			Ms. XS Zhang *(Note 4)*	5,000	0.25
			Ms. Zhao *(Note 5)*	5,000	0.25
			Three individuals *(Note 1)*	13,000	0.65
Mr. Xu	50,000	2.50	Himself *(Note 1)*	25,000	1.25
			Seven individuals *(Note 1)*	25,000	1.25
Mr. Guo	50,000	2.50	Himself *(Note 1)*	50,000	2.50
Mr. Li	50,000	2.50	Himself *(Note 1)*	20,000	1.00
			Five individuals *(Note 1)*	30,000	1.50
Mr. FC Meng	50,000	2.50	Himself *(Note 1)*	50,000	2.50
Total	2,000,000	100.00		2,000,000	100.00

Notes:

(1) Each of these individuals, save those that have passed away, is an Independent Third Party and is not directly or indirectly related to any of our connected persons.

(2) Mr. H Liu is the son of Mr. ZW Liu and the spouse of Ms. You.

(3) Ms. You is the spouse of Mr. H Liu and the daughter-in-law of Mr. ZW Liu.

(4) Ms. XS Zhang is the daughter of Mr. YX Zhang.

(5) Ms. Zhao is the spouse of Mr. LZ Meng.

(3) Establishment of Hebei Ruifeng in August 2007

Hebei Ruifeng was established as a limited liability company under the laws of the PRC on August 29, 2007. It is principally engaged in the design, development, production and sales of cylinder blocks, as well as cylinder heads and certain cylinder block components, to automobile manufacturers and engine manufacturers in China. At the time of establishment, the registered capital of Hebei Ruifeng amounted to RMB3,000,000, which had been fully paid up in cash by Hebei Ruifeng Engine as the sole shareholder.

(4) Transfer of registered capital of Hebei Ruifeng in September 2007

On September 17, 2007, each of Mr. LZ Meng, Mr. Wang, Mr. YX Zhang, Mr. EW Liu, Mr. ZB Zhang, Mr. ZW Liu and Ms. ML Liu entered into a separate equity transfer agreement with Hebei Ruifeng Engine pursuant to which they acquired from Hebei Ruifeng Engine the entire registered capital of Hebei Ruifeng, such that they would become direct shareholders of Hebei Ruifeng, thereby enhancing ease and efficiency of management. The considerations were determined by the parties to the equity transfer agreements based on the respective amounts of the registered capital agreed to be transferred and were payable in cash, payable in full on or before September 20, 2007. The relevant registration procedures were completed on September 21, 2007.

Immediately after completion of the above transfers, Hebei Ruifeng Engine ceased to be a registered shareholder of Hebei Ruifeng and each of the above purchasers became a registered shareholder of Hebei Ruifeng. The following table sets forth the amount of registered capital acquired by each of the above purchasers, the respective considerations, and the amount of registered capital held by them and their respective shareholding percentages upon completion of the acquisitions:

Name of purchaser/registered shareholder upon completion of the acquisitions	Amount of registered capital acquired	Consideration	Amount of registered capital held and shareholding percentage upon completion of the acquisitions	
	(RMB)	*(RMB)*	*(RMB)*	*(%)*
Mr. LZ Meng	1,200,000	1,200,000	1,200,000	40.00
Mr. Wang	300,000	300,000	300,000	10.00
Mr. YX Zhang	300,000	300,000	300,000	10.00
Mr. EW Liu	300,000	300,000	300,000	10.00
Mr. ZB Zhang	300,000	300,000	300,000	10.00
Mr. ZW Liu	300,000	300,000	300,000	10.00
Ms. ML Liu	300,000	300,000	300,000	10.00
Total	3,000,000		3,000,000	100.00

(5) Transfer of registered capital of Lingfeng Engine in April 2008

On April 1, 2008, each of Mr. LZ Meng, Ms. Yin, Mr. YX Zhang, Mr. Ren, Mr. EW Liu, Mr. ZB Zhang, Mr. ZW Liu and Ms. ML Liu entered into a separate equity transfer agreement with Baoding Changcheng Engine pursuant to which they acquired the registered capital of Lingfeng Engine held by Baoding Changcheng Engine with a view to consolidating their control of Lingfeng Engine. The considerations were determined by the parties to the equity transfer agreements based on the amounts of the registered capital agreed to be transferred and were payable in cash, payable in full on or before April 6, 2008. The relevant registration procedures were completed on April 17, 2008.

Upon completion of the above transfers, Baoding Changcheng Engine ceased to be a registered shareholder of Lingfeng Engine. The following table sets forth the amount of registered capital acquired by each of the above purchasers, the respective considerations, and the shareholding structure of Lingfeng Engine immediately after completion of such acquisitions:

Name of purchaser/ registered shareholder upon completion of the acquisitions	Amount of registered capital acquired	Consideration	Amount of registered capital held and shareholding percentage upon completion of the acquisitions		Name of beneficial owner	Total amount of registered capital contributed and contribution percentage	
	(RMB)	*(RMB)*	*(RMB)*	*(%)*		*(RMB)*	*(%)*
Mr. LZ Meng	12,500	12,500	62,500	12.50	Himself *(Note 6)*	500	0.10
					Mr. FC Meng *(Note 2)*	15,000	3.00
					21 individuals *(Note 2)*	47,000	9.40
Ms. Yin *(Note 1)*	12,500	12,500	62,500	12.50	Mr. Wang *(Note 1)*	32,500	6.50
					Seven individuals *(Notes 1 and 2)*	30,000	6.00
Mr. YX Zhang	12,500	12,500	62,500	12.50	Himself *(Note 5)*	32,500	6.50
					10 individuals *(Note 2)*	30,000	6.00
Mr. Ren	12,500	12,500	62,500	12.50	Himself *(Note 2)*	53,500	10.70
					Six individuals *(Note 2)*	9,000	1.80
Mr. EW Liu	12,500	12,500	62,500	12.50	Himself	28,500	5.70
					Five individuals *(Note 2)*	34,000	6.80
Mr. ZB Zhang	12,500	12,500	62,500	12.50	Himself	47,500	9.50
					Six individuals *(Note 2)*	15,000	3.00
Mr. ZW Liu	12,500	12,500	62,500	12.50	Himself *(Notes 3 and 4)*	47,500	9.50
					Mr. H Liu *(Note 3)*	500	0.10
					Ms. You *(Note 4)*	500	0.10
					Seven individuals *(Note 2)*	14,000	2.80

Name of purchaser/ registered shareholder upon completion of the acquisitions	Amount of registered capital acquired	Consideration	Amount of registered capital held and shareholding percentage upon completion of the acquisitions		Name of beneficial owner	Total amount of registered capital contributed and contribution percentage	
	(RMB)	*(RMB)*	*(RMB)*	*(%)*		*(RMB)*	*(%)*
Ms. ML Liu	12,500	12,500	62,500	12.50	Herself	39,500	7.90
					Ms. XS Zhang *(Note 5)*	5,000	1.00
					Ms. Zhao *(Note 6)*	10,000	2.00
					Five individuals *(Note 2)*	8,000	1.60
Total	100,000		500,000	100.00		500,000	100.00

Notes:

(1) Ms. Yin is the spouse of Mr. Wang. She held RMB62,500 of the registered capital in Lingfeng Engine as nominee on behalf of Mr. Wang, of which RMB32,500 were beneficially owned by Mr. Wang and RMB30,000 were in turn held by Mr. Wang as nominee on behalf of seven individuals.

(2) Each of these individuals, save those that have passed away, is an Independent Third Party and is not directly or indirectly related to any of our connected persons.

(3) Mr. H Liu is the son of Mr. ZW Liu and the spouse of Ms. You.

(4) Ms. You is the spouse of Mr. H Liu and the daughter-in-law of Mr. ZW Liu.

(5) Ms. XS Zhang is the daughter of Mr. YX Zhang.

(6) Ms. Zhao is the spouse of Mr. LZ Meng.

(6) Merger of Hebei Ruifeng Engine and Lingfeng Engine into Hebei Ruifeng in October 2009

On October 29, 2009, Hebei Ruifeng Engine, Lingfeng Engine and Hebei Ruifeng entered into an agreement pursuant to which they shall undergo a merger (the "Merger") such that Hebei Ruifeng Engine and Lingfeng Engine and their respective registered capital would be absorbed into Hebei Ruifeng, and all their assets and liabilities would be injected into or assumed by Hebei Ruifeng. It was further agreed that upon completion of the Merger, all the original management staff and employees of Hebei Ruifeng Engine and Lingfeng Engine would become management staff and employees of Hebei Ruifeng. On December 23, 2009, the relevant registration procedures of the Merger and the dissolution of Hebei Ruifeng Engine and Lingfeng Engine were completed with the Shenzhou Administration for Industry and Commerce.

Following the Merger, the registered capital of Hebei Ruifeng increased from RMB3,000,000 to RMB5,500,000; the amount of registered capital held by each original registered shareholder of Hebei Ruifeng increased by virtue of the registered capital of Hebei Ruifeng Engine and/or Lingfeng Engine he/she held immediately before the Merger and the rest of the registered shareholders of Hebei Ruifeng Engine and/or Lingfeng Engine immediately before the Merger became registered shareholders of Hebei Ruifeng. The nominee shareholding arrangements in respect of the original registered capital of Hebei Ruifeng Engine and Lingfeng Engine continued to be in force following the Merger, and the relevant registered shareholders of Hebei Ruifeng continued to hold the registered capital of Hebei Ruifeng for themselves and/or as nominees on behalf of a total of 100 individuals. Further details of the shareholding structure of Hebei Ruifeng immediately after completion of the Merger are set forth below:

Name of registered shareholder	Amount of registered capital held and approximate shareholding percentage		Name of beneficial owners	Amount of registered capital contributed and approximate contribution percentage	
	(RMB)	*(%)*		*(RMB)*	*(%)*
Mr. LZ Meng	1,662,500	30.23	Himself *(Note 6)*	1,458,500	26.52
			Mr. FC Meng *(Note 2)*	18,000	0.33
			28 individuals *(Note 2)*	186,000	3.38
Mr. YX Zhang	562,500	10.23	Himself *(Note 5)*	472,500	8.59
			13 individuals *(Note 2)*	90,000	1.64
Mr. EW Liu	562,500	10.23	Himself	510,500	9.28
			Five individuals *(Note 2)*	52,000	0.95
Mr. ZB Zhang	562,500	10.23	Himself	516,500	9.39
			10 individuals *(Note 2)*	46,000	0.84
Mr. ZW Liu	562,500	10.23	Himself *(Notes 3 and 4)*	504,500	9.18
			Mr. H Liu *(Note 3)*	8,500	0.15
			Ms. You *(Note 4)*	8,500	0.15
			Eight individuals *(Note 2)*	41,000	0.75
Ms. ML Liu	562,500	10.23	Herself	516,500	9.39
			Ms. XS Zhang *(Note 5)*	10,000	0.18
			Ms. Zhao *(Note 6)*	15,000	0.28
			Five individuals *(Note 2)*	21,000	0.38

Name of registered shareholder	Amount of registered capital held and approximate shareholding percentage		Name of beneficial owners	Amount of registered capital contributed and approximate contribution percentage	
	(RMB)	*(%)*		*(RMB)*	*(%)*
Mr. Wang	500,000	9.10	Himself	463,000	8.42
			Five individuals *(Notes 1 and 2)*	37,000	0.68
Mr. Ren	262,500	4.78	Himself *(Note 2)*	239,500	4.36
			Six individuals *(Note 2)*	23,000	0.42
Ms. Yin *(Note 1)*	62,500	1.14	Mr. Wang *(Note 1)*	32,500	0.59
			Seven individuals *(Notes 1 and 2)*	30,000	0.55
Mr. Xu	50,000	0.90	Himself *(Note 2)*	25,000	0.45
			Seven individuals *(Note 2)*	25,000	0.45
Mr. Guo	50,000	0.90	Himself *(Note 2)*	50,000	0.90
Mr. Li	50,000	0.90	Himself *(Note 2)*	20,000	0.36
			Five individuals *(Note 2)*	30,000	0.54
Mr. FC Meng	50,000	0.90	Himself *(Note 2)*	50,000	0.90
Total	5,500,000	100.00		5,500,000	100.00

Notes:

(1) Ms. Yin is the spouse of Mr. Wang. She held RMB62,500 of the registered capital in Hebei Ruifeng as nominee on behalf of Mr. Wang, of which RMB32,500 were beneficially owned by Mr. Wang and RMB30,000 were in turn held by Mr. Wang as nominee on behalf of seven individuals. Five of these seven individuals were also beneficial owners of registered capital held by Mr. Wang as nominee on their behalf.

(2) Each of these individuals, save those that have passed away, is an Independent Third Party and is not directly or indirectly related to any of our connected persons.

(3) Mr. H Liu is the son of Mr. ZW Liu and the spouse of Ms. You.

(4) Ms. You is the spouse of Mr. H Liu and the daughter-in-law of Mr. ZW Liu.

(5) Ms. XS Zhang is the daughter of Mr. YX Zhang.

(6) Ms. Zhao is the spouse of Mr. LZ Meng.

(7) Increase in registered capital of Hebei Ruifeng in October 2014

On October 28, 2014, the registered shareholders of Hebei Ruifeng resolved that the registered capital of Hebei Ruifeng be increased from RMB5,500,000 to RMB20,000,000 by way of additional cash contribution by each of the then existing registered shareholders. Such additional registered capital had been fully paid up.

The relevant registration procedures were completed on June 1, 2015. The following table sets forth the amount of additional registered capital contributed by each registered shareholder and the shareholding structure of Hebei Ruifeng immediately after completion of the above increase in the registered capital of Hebei Ruifeng:

Name of registered shareholder	Amount of additional registered capital contributed	Amount of registered capital held and approximate shareholding percentage upon completion of registered capital increase		Name of beneficial owner	Total amount of registered capital contributed and contribution percentage	
	(RMB)	*(RMB)*	*(%)*		*(RMB)*	*(%)*
Mr. LZ Meng	5,200,000	6,912,500	34.57	Himself *(Note 3)*	6,732,500	33.67
				Mr. FC Meng *(Note 1)*	18,000	0.09
				23 individuals *(Note 1)*	162,000	0.81
Mr. YX Zhang	2,500,000	3,062,500	15.32	Himself	3,010,500	15.06
				Eight individuals *(Note 1)*	52,000	0.26
Mr. Wang	1,700,000	2,262,500	11.31	Himself	2,227,500	11.14
				Five individuals *(Note 1)*	35,000	0.17
Mr. ZW Liu	1,400,000	1,962,500	9.81	Himself *(Note 2)*	1,919,000	9.60
				Ms. You *(Note 2)*	8,500	0.04
				Seven individuals *(Note 1)*	35,000	0.17
Mr. EW Liu	1,200,000	1,762,500	8.81	Himself	1,723,500	8.62
				Three individuals *(Note 1)*	39,000	0.19
Ms. ML Liu	1,000,000	1,562,500	7.81	Herself	1,533,000	7.67
				Ms. Zhao *(Note 3)*	15,000	0.07
				Four individuals *(Note 1)*	14,500	0.07

Name of registered shareholder	Amount of additional registered capital contributed	Amount of registered capital held and approximate shareholding percentage upon completion of registered capital increase		Name of beneficial owner	Total amount of registered capital contributed and contribution percentage	
	(RMB)	*(RMB)*	*(%)*		*(RMB)*	*(%)*
Mr. ZB Zhang	1,000,000	1,562,500	7.81	Himself	1,524,000	7.62
				Six individuals *(Note 1)*	38,500	0.19
Mr. Ren	500,000	762,500	3.81	Himself *(Note 1)*	740,500	3.70
				Five individuals *(Note 1)*	22,000	0.11
Mr. Li	0	50,000	0.25	Himself *(Note 1)*	25,000	0.13
				Four individuals *(Note 1)*	25,000	0.12
Mr. FC Meng	0	50,000	0.25	Himself *(Note 1)*	50,000	0.25
Mr. Xu	0	50,000	0.25	Himself *(Note 1)*	38,000	0.19
				Four individuals *(Note 1)*	12,000	0.06
Total	14,500,000	20,000,000	100.00		20,000,000	100.00

Notes:

(1) Each of these individuals, save those that have passed away, is an Independent Third Party and is not directly or indirectly related to any of our connected persons.

(2) Ms. You is the spouse of Mr. H Liu and the daughter-in-law of Mr. ZW Liu.

(3) Ms. Zhao is the spouse of Mr. LZ Meng.

(8) Termination of nominee shareholding arrangement

During the period from December 20, 2010 to April 20, 2017, each of Mr. LZ Meng, Mr. YX Zhang, Mr. Wang, Mr. ZW Liu, Mr. EW Liu, Ms. ML Liu, Mr. ZB Zhang, Mr. Ren, Mr. Li and Mr. Xu had entered into a series of transactions with the respective beneficial owners of Hebei Ruifeng on behalf of whom he/she had held parts of the registered capital of Hebei Ruifeng as nominee so as to acquire from them the beneficial interests in such parts of the registered capital. Following completion of all such transactions, the nominee shareholding arrangements had been terminated. As advised by our PRC Legal Advisor, the nominee shareholding arrangements since the respective establishments of Lingfeng Engine and Hebei Ruifeng Engine up to the termination of such nominee shareholding arrangements were binding on the parties thereto and were legal and valid under the PRC laws. The following table sets forth the shareholding structure of Hebei Ruifeng as at April 20, 2017:

Name of registered shareholder	Amount of registered capital contributed and shareholding percentage	
	(RMB)	*(%)*
Mr. LZ Meng	6,912,500	34.57
Mr. YX Zhang	3,062,500	15.32
Mr. Wang	2,262,500	11.31
Mr. ZW Liu	1,962,500	9.81
Mr. EW Liu	1,762,500	8.81
Ms. ML Liu	1,562,500	7.81
Mr. ZB Zhang	1,562,500	7.81
Mr. Ren	762,500	3.81
Mr. Li	50,000	0.25
Mr. FC Meng	50,000	0.25
Mr. Xu	50,000	0.25
Total	20,000,000	100.00

Since April 20, 2017 and up to the Latest Practicable Date, save the acquisition of Hebei Ruifeng by Hebei Ruifeng Technology as part of the Reorganization, details of which are set out in the paragraphs headed "Reorganization – (6) Acquisition of Hebei Ruifeng" below, there has not been any change in the registered capital or shareholding of Hebei Ruifeng.

REORGANIZATION

For the purpose of the Listing, the following steps have been implemented to effect the Reorganization:

(1) Incorporation of investment holding companies by ultimate shareholders

Dragon Rise was incorporated in the BVI with limited liability on April 25, 2017. Its initial authorized share capital was US$50,000 divided into 50,000 shares of US$1 each. On May 29, 2017, Dragon Rise allotted and issued, for cash at par, 5,044 shares to Mr. LZ Meng, 2,235 shares to Mr. YX Zhang, 1,432 shares to Mr. ZW Liu and 1,286 shares to Mr. EW Liu. Immediately following the said allotments and as at the Latest Practicable Date, the entire issued share capital of Dragon Rise was held as to approximately 50.46% by Mr. LZ Meng, approximately 22.36% by Mr. YX Zhang, approximately 14.32% by Mr. ZW Liu and approximately 12.86% by Mr. EW Liu.

Great Ally was incorporated in the BVI with limited liability on April 20, 2017. Its initial authorized share capital was US$50,000 divided into 50,000 shares of US$1 each. On May 29, 2017, Great Ally allotted and issued, for cash at par, one share to Mr. ZB Zhang. Immediately following the said allotment and as at the Latest Practicable Date, the entire issued share capital of Great Ally was held by Mr. ZB Zhang.

Radiant Path was incorporated in the BVI with limited liability on April 24, 2017. Its initial authorized share capital was US$50,000 divided into 50,000 shares of US$1 each. On May 29, 2017, Radiant Path allotted and issued, for cash at par, one share to Mr. Wang. Immediately following the said allotment and as at the Latest Practicable Date, the entire issued share capital of Radiant Path was held by Mr. Wang.

Rosy Raise was incorporated in the BVI with limited liability on April 25, 2017. Its initial authorized share capital was US$50,000 divided into 50,000 shares of US$1 each. On May 29, 2017, Rosy Raise allotted and issued, for cash at par, one share to Ms. ML Liu. Immediately following the said allotment and as at the Latest Practicable Date, the entire issued share capital of Rosy Raise was held by Ms. ML Liu.

Start Beyond was incorporated in the BVI with limited liability on April 25, 2017. Its initial authorized share capital was US$50,000 divided into 50,000 shares of US$1 each. On May 29, 2017, Start Beyond allotted and issued, for cash at par, one share to Mr. Ren. Immediately following the said allotment and as at the Latest Practicable Date, the entire issued share capital of Start Beyond was held by Mr. Ren.

Yilong Ventures was incorporated in the BVI with limited liability on April 25, 2017. Its initial authorized share capital was US$50,000 divided into 50,000 shares of US$1 each. On May 29, 2017, Yilong Ventures allotted and issued, for cash at par, one share to each of Mr. Xu, Mr. Li and Mr. FC Meng, respectively. Immediately following the said allotments and as at the Latest Practicable Date, the entire issued share capital of Yilong Ventures was held as to approximately 33.33% by each of Mr. Xu, Mr. Li and Mr. FC Meng.

(2) Incorporation of our Company

On May 2, 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. Its initial authorized share capital was HK$380,000 divided into 3,800,000 Shares with a par value of HK$0.10 per Share, one of which was allotted and issued, credited as fully paid, to the initial subscriber upon incorporation and transferred to Mr. LZ Meng on the same day. On May 29, 2017, such Share was transferred from Mr. LZ Meng to Dragon Rise.

On May 31, 2017, Dragon Rise, Great Ally, Radiant Path, Rosy Raise, Start Beyond and Yilong Ventures subscribed for an aggregate of 9,998 Shares for cash at par.

Set out below is the shareholding structure of our Company immediately after the aforesaid transfers of and subscriptions for Shares:

Name of Shareholders	Number of Shares	Percentage of Shareholding
		(%)
Dragon Rise	6,850	68.51
Radiant Path	1,131	11.31
Great Ally	781	7.81
Rosy Raise	781	7.81
Start Beyond	381	3.81
Yilong Ventures	75	0.75
Total:	9,999	100.00

(3) Incorporation of Long Teng

Long Teng was incorporated in the BVI with limited liability on April 25, 2017. It is authorized to issue a maximum of 50,000 shares of US$1 each. On May 23, 2017, Long Teng allotted and issued, for cash at par, one share to our Company. Immediately following the said allotment and as at the Latest Practicable Date, the entire issued share capital of Long Teng was held by our Company.

(4) Incorporation of Turbo Group

Turbo Group was incorporated in Hong Kong as a private company with limited liability on March 10, 2017. One share was allotted and issued to its corporate subscriber upon its incorporation, which was subsequently transferred to Long Teng at the consideration of HK$1 on May 22, 2017.

(5) Incorporation of Hebei Ruifeng Technology

On July 24, 2017, Hebei Ruifeng Technology was established in the PRC with Turbo Group as its sole shareholder with a registered capital of HK$10,000,000. Its permitted scope of business comprises research and development of internal combustion engine technology and, as at the Latest Practicable Date, other than holding its investment in Hebei Ruifeng, it had not commenced its business. As advised by our PRC Legal Advisor, according to the articles of association of Hebei Ruifeng Technology, the registered capital of Hebei Ruifeng Technology shall be due and contributable by Turbo Group on or before December 31, 2027. As at the Latest Practicable Date, the registered capital of Hebei Ruifeng Technology had not been paid up by Turbo Group. As advised by our PRC Legal Advisor, the non-paying up of the registered capital of Hebei Ruifeng Technology by Turbo Group is not in contravention of the relevant requirements under PRC laws or the articles of association of Hebei Ruifeng

Technology, and shall not affect the legal subsistence of Hebei Ruifeng Technology, or jeopardize or otherwise adversely affect the rights and entitlements of Turbo Group (whether under the applicable PRC laws or the articles of association of Hebei Ruifeng Technology) in its capacity as a shareholder of Hebei Ruifeng Technology.

(6) Acquisition of Hebei Ruifeng

On July 31, 2017, Hebei Ruifeng Technology entered into an equity transfer agreement with each of Mr. LZ Meng, Mr. YX Zhang, Mr. Wang, Mr. ZW Liu, Mr. EW Liu, Ms. ML Liu, Mr. ZB Zhang, Mr. Ren, Mr. Li, Mr. FC Meng and Mr. Xu pursuant to which Hebei Ruifeng Technology shall acquire from them the entire registered capital of Hebei Ruifeng for cash at the aggregate consideration of RMB20,000,000, which had been determined by reference to the respective amounts of registered capital agreed to be transferred. The consideration had been settled in full on August 16, 2017 and the relevant registration procedures were completed on August 2, 2017. Immediately following the acquisition, Hebei Ruifeng became our indirect wholly-owned subsidiary.

Circular 37

According to Circular 37 as modified by Circular 13, PRC residents, including PRC individuals, are required to file foreign exchange registration with designated banks before it injects assets or equity interests in an offshore special purpose vehicle which is directly established or indirectly controlled by the PRC residents for the purpose of investment and financing. In addition, in the event that any change of basic information (including PRC resident shareholders, name and operation term) or any change involving material events (including increase or decrease in investment amount, share transfer or exchange, or merger or division) arises in respect of the registered offshore special purpose vehicle, the foreign exchange registration shall be updated. Each of Mr. LZ Meng, Mr. YX Zhang, Mr. Wang, Mr. ZW Liu, Mr. EW Liu, Ms. ML Liu, Mr. ZB Zhang, Mr. Ren, Mr. Li, Mr. FC Meng and Mr. Xu has effected registration as required under Circular 37 on July 10, 2017.

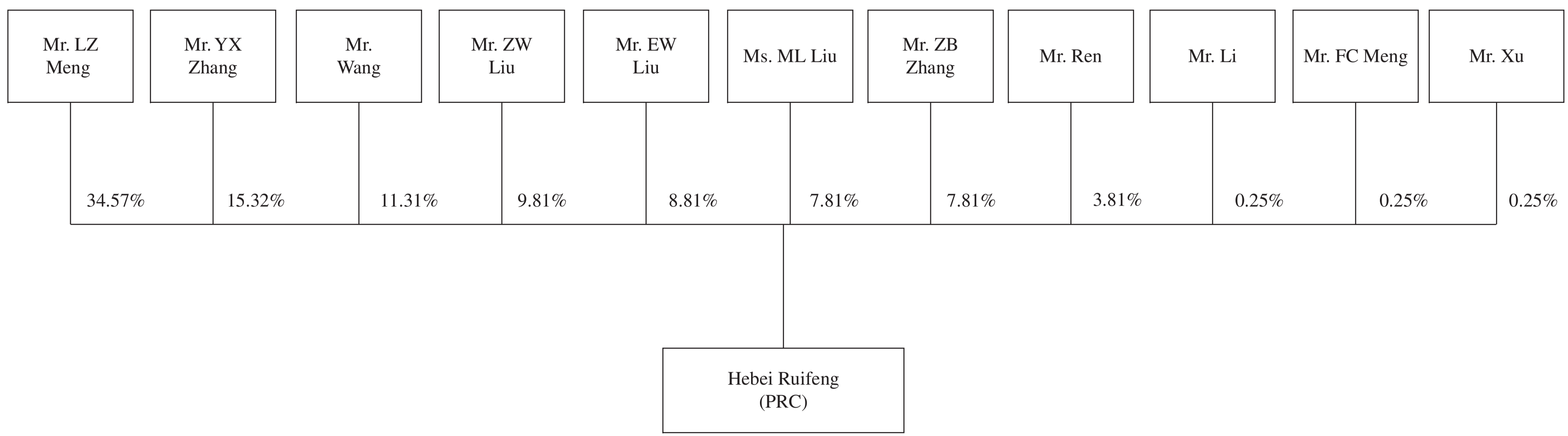
M&A Rules

According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required. As advised by our PRC Legal Advisor, our individual Controlling Shareholders, namely Mr. LZ Meng, Mr. ZW Liu, Mr. YX Zhang and Mr. EW Liu, are not regarded as PRC domestic natural persons under the M&A Rules as they had been permanent residents of the Republic of Guinea-Bissau prior to the acquisition of Hebei Ruifeng by our Group. Accordingly, the Reorganization is not subject to Article 11 of the M&A Rules, and it is not necessary for us to obtain approval from MOFCOM for the Reorganization nor from the CSRC for the Listing and trading of our Shares on the Stock Exchange.

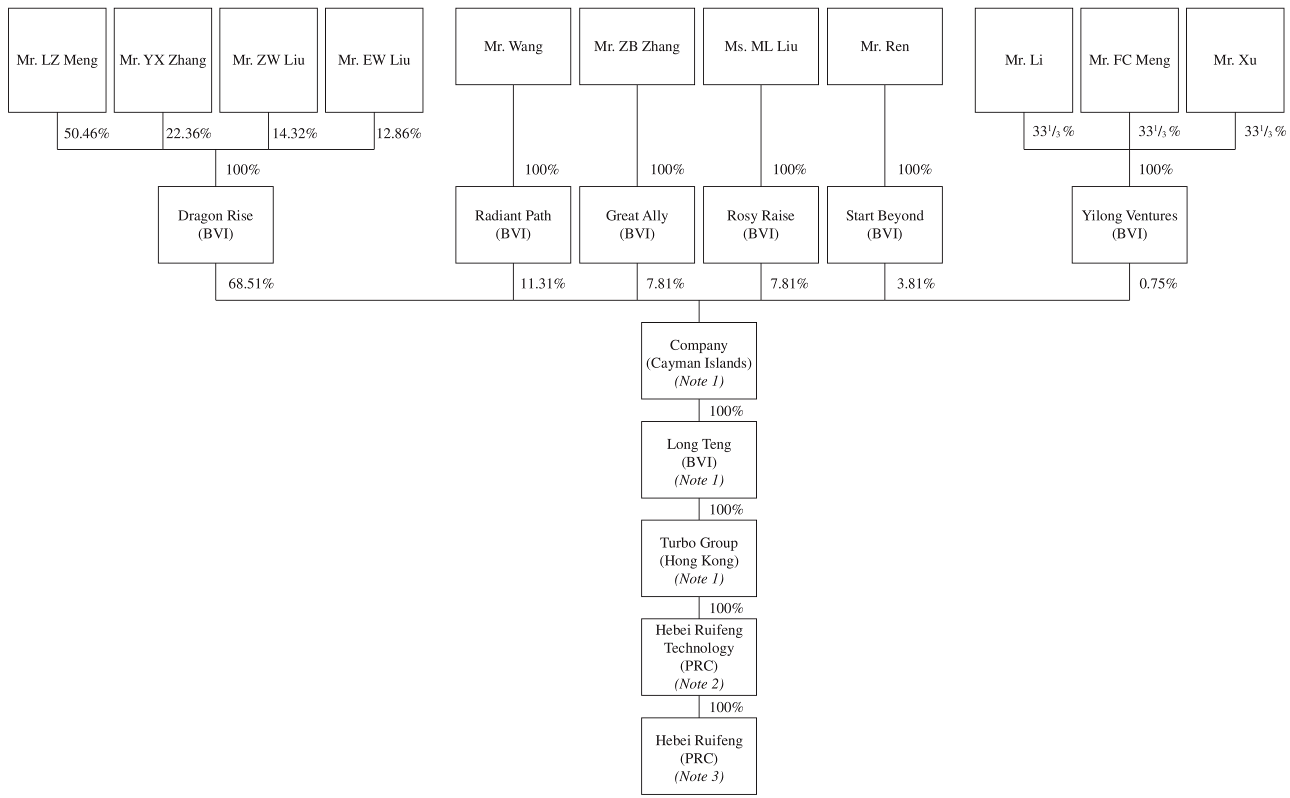
As advised by our PRC Legal Advisor, all necessary approvals, permits and licenses as required under the PRC law in relation to our Reorganization have been obtained by our Group.

CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately prior to the Reorganization was as follows:



The shareholding and corporate structure of our Group immediately after the Reorganization but prior to the Global Offering and the Capitalization Issue is as follows:



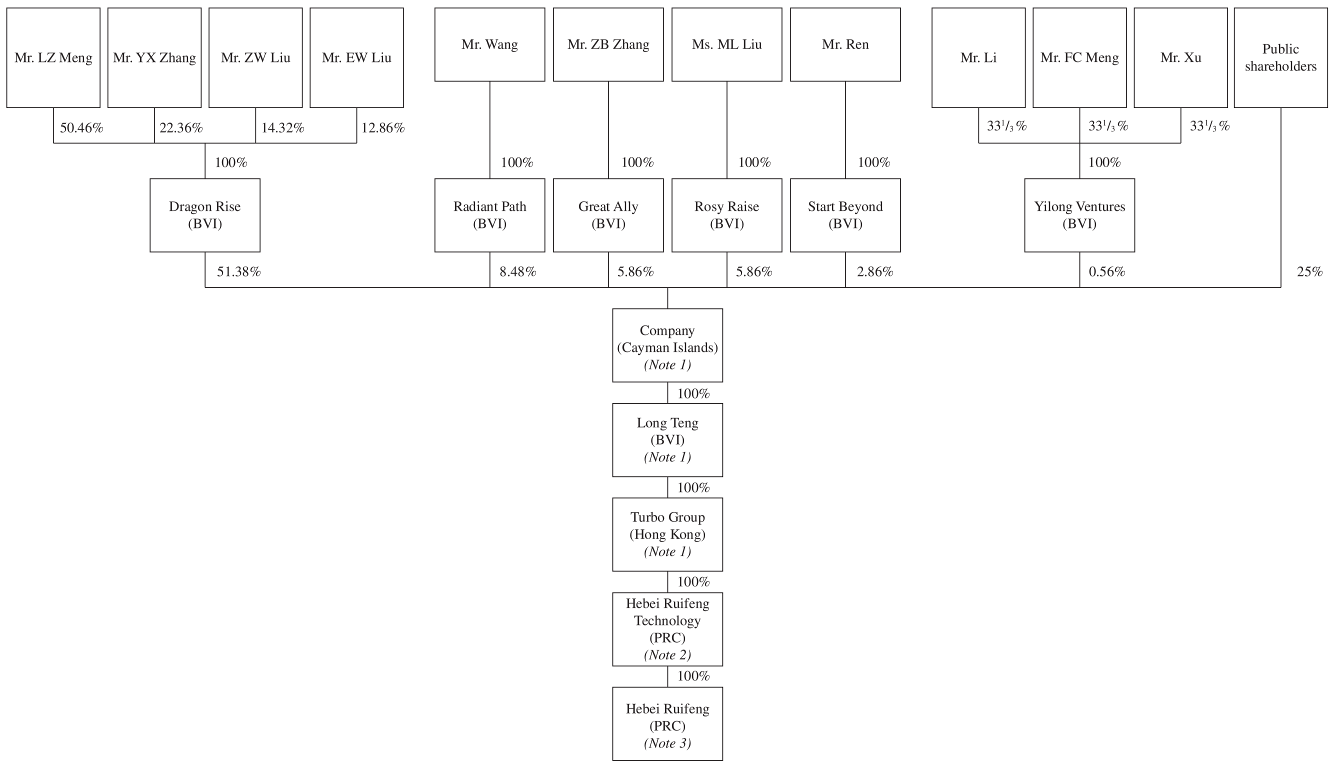
Notes:

1. Each of our Company, Long Teng and Turbo Group is an investment holding company.

2. Hebei Ruifeng Technology's permitted scope of business comprises of research and development of internal combustion engine technology. As at the Latest Practicable Date, other than holding its investment in Hebei Ruifeng, it had not commenced its business.

3. Hebei Ruifeng is principally engaged in design, development, production and sales of cylinder blocks, as well as cylinder heads and certain cylinder block components, to automobile manufacturers and engine manufacturers in China.

The following shows the shareholding and corporate structure of our Group immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme):



Notes:

1. Each of our Company, Long Teng and Turbo Group is an investment holding company.

2. Hebei Ruifeng Technology's permitted scope of business comprises of research and development of internal combustion engine technology. As at the Latest Practicable Date, other than holding its investment in Hebei Ruifeng, it had not commenced its business.

3. Hebei Ruifeng is principally engaged in design, development, production and sales of cylinder blocks, as well as cylinder heads and certain cylinder block components, to automobile manufacturers and engine manufacturers in China.

OVERVIEW

We are a specialized manufacturer of cylinder blocks, a major structure in automobile engines, based in China. We ranked fourth among specialized cylinder block manufacturers in China in terms of sales volume in 2016, with a market share of approximately 3.0%, according to the Frost & Sullivan Report. In addition, we are also an established producer of cylinder heads.

The size of our operations and significant production capacity allow us to take on some of the leading automobile manufacturers in China. As at June 30, 2017, we owned and operated a total of three precision casting lines and 13 mechanical processing lines (including 11 for cylinder blocks, one for cylinder heads and one for other ancillary cylinder block components), with a designed monthly production capacity of approximately 74,000 cylinder blocks and approximately 13,000 cylinder heads, respectively. Our production facilities are located in Hengshui City, Hebei Province, China. In the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, utilization rate of our mechanical processing lines for cylinder blocks was approximately 74.4%, 78.7%, 76.4% and 75.0%, respectively, while utilization rate of our mechanical processing lines for cylinder heads reached approximately 70.1%, 78.5%, 96.3% and 97.9%, respectively, in the same periods.

Our production facilities and processes afford us a high level of flexibility to meet the diverse needs of our customers. A majority of our production lines can be adjusted by adding or replacing certain production equipment without requiring significant additional setup time or costs. Our ability to modify and upgrade our production process to produce different models on one production line is critical for us to reduce our equipment costs while maintaining the quality and diversity of our products.

We have also invested significantly in optimizing our production process and improving our operational efficiency. According to the Frost & Sullivan Report, we were among the first few automobile engine spare part manufacturers in China to operate a precision casting line using the advanced automatic molding machine purchased from KW to produce rough cast products. In addition, together with a group of industry partners we engaged, we designed, constructed and have begun implementing a comprehensive smart manufacturing process, making us one of the first automobile engine spare part manufacturers in China to adopt intelligent manufacturing initiatives, according to the Frost & Sullivan Report. We believe the smart manufacturing process enables us to produce higher quality products, achieve greater productivity and increase our overall operational efficiency.

In addition, we believe our strong design and research and development capabilities have become a key strength allowing us to attract new customers and maintain relationships with our existing customers. Our research and development team has extensive experience in production process design and is able to select the most appropriate production process based on different customer needs together with our own production equipment and technologies that fit with the production process we use. As at the Latest Practicable Date, we had obtained 12 patents for the production processes, equipment and proprietary technology we have developed in relation to the manufacture of our cylinder block and cylinder head products. Our engineers also work directly with customers to develop new products or improve existing ones based on models, prototypes or concepts for which the customer does not yet have a pre-existing blueprint and has not produced all relevant specifications. We believe our close collaboration helps us cultivate close relationships with our customers and provides us with key advantages when competing for additional business from such customers.

As a result of our ability to offer high-quality, customized product solutions, we have established and maintained long-standing, strong and stable relationships with our customers. In the year ended December 31, 2016, we sold our products to over 100 customers, and 64.9% of our revenue for the year came from customers with whom we had maintained relationships of more than five years as at December 31, 2016. Our customers include many of the top automobile manufacturers in China, including Jiangling Motors, Beiqi Foton Motor, Jiangxi Isuzu, JAC Motors and Great Wall Motors, among others. In the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, such customers included four, six, six and five, respectively, of the top 10 automobile manufacturers in China, which together accounted for approximately 13.4%, 24.5%, 41.4% and 24.0%, respectively, of our total revenue in the respective year/period.

We have experienced significant growth during the Track Record Period. Our revenue grew from RMB432.0 million for the year ended December 31, 2014 to RMB481.1 million for the year ended December 31, 2015, and further to RMB669.9 million for the year ended December 31, 2016. For the six months ended June 30, 2016 and 2017, our revenue was RMB308.6 million and RMB319.9 million, respectively. The number of cylinder blocks we sold grew significantly during the Track Record Period from approximately 274,000 units in the year ended December 31, 2014 to approximately 322,000 units in the year ended December 31, 2015, and further to approximately 548,000 units in the year ended December 31, 2016. The number of cylinder blocks we sold grew from approximately 245,000 units for the six months ended June 30, 2016 to approximately 296,000 units for the six months ended June 30, 2017.

OUR COMPETITIVE STRENGTHS

We believe that the following principal competitive strengths have contributed to our success and will continue to enable us to compete effectively and to capitalize on future growth opportunities.

The fourth largest specialized manufacturer of cylinder blocks and an established producer of cylinder heads in China

In 2016, we were the fourth largest specialized manufacturer of cylinder blocks in China in terms of sales volume, accounting for approximately 3.0% of the cylinder block market among specialized cylinder block manufacturers, or approximately 1.4% of the overall cylinder block market in China, according to the Frost & Sullivan Report. In addition, we are also an established producer of cylinder heads. We believe our current market position provides us significant advantages over competitors in the following ways:

- The size of our operations and significant production capacity allow us to take on some of the leading automobile manufacturers in China. As at June 30, 2017, we owned and operated a total of three precision casting lines and 13 mechanical processing lines (including 11 for cylinder blocks, one for cylinder heads and one for other ancillary cylinder block components), with a designed monthly production capacity of approximately 74,000 cylinder blocks and approximately 13,000 cylinder heads, respectively. In the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, utilization rate of our mechanical processing lines for cylinder blocks was approximately 74.4%, 78.7%, 76.4% and 75.0%, respectively, while utilization rate of our mechanical processing lines for cylinder heads reached approximately 70.1%, 78.5%, 96.3% and 97.9%, respectively, in the same periods.

- We are one of a limited number of major specialized cylinder block manufacturers in China that also manufactures cylinder heads, according to the Frost & Sullivan Report. We believe the convenience of being able to source both product types from a single trusted supplier is valued by our customers and provides us with a competitive advantage in obtaining and retaining key customers.

- Substantial existing operations and an existing successful track record have raised our reputation in the market place, giving us advantages in competing for new business. We have received a number of awards and recognitions, including "Leading Enterprise of Industrial Clusters in Hebei Province" (河北省產業集群龍頭企業), "Leading Enterprise in Automobile Spare Parts Manufacturing Industry in Hebei Province" (河北汽車配件製造業排頭兵企業), "Famous Brand Enterprise in Hebei Province" (河北省著名商標企業) and "Brand-name Products of Small and Medium-sized Enterprises in Hebei Province" (河北省中小企業名牌產品), among others. Please refer to the paragraph headed "– Awards, Accreditations and Memberships" in this section for details.

A high level of flexibility in production facilities and process to meet the specific needs of different customers

Our production facilities are highly flexible. According to the Frost & Sullivan Report, flexible manufacturing is a technological adoption of production lines and processes that enables rapid product switches within minimum operating costs. Please refer to the paragraph headed "Industry Overview – China's Automobile Engine Spare Part Industry – Flexible Manufacturing in China's Automobile Engine Spare Part Industry" in this prospectus for further details. A majority of our production lines can be adjusted by adding or replacing certain production equipment without incurring significant setup time and costs. For example, our flexible vertical machining centers (立式加工中心) contain adjustable plug-in consoles (插台) that can be retrofitted in various ways by incorporating positioning clamps, cutters or other machinery with different functionality and pattern accessibility to meet different product specifications. Each of our vertical machining centers also has a programmable control system where specific production data and information can be input and transmitted. The ability to produce different products and models on a single production line allows us to significantly reduce our equipment cost while maintaining the quality and diversity of our products.

Our engineers also help design and develop the most appropriate production process based on different customer needs together with our own production equipment and technologies that fit with the production process we use. We have obtained a number of patents for the production processes, equipment and proprietary technology we have developed. Major production equipment we have developed and for which we obtained utility model patents from the PRC State Intellectual Property Office ("SIPO") includes a high-efficiency cleaning machine that can thoroughly wash the inner walls of cylinder blocks and cylinder heads, a highly precise air-leakage detector used to carry out leak testing of cylinder heads, and a positioning clamp to guarantee accurate cylinder block boring and drilling. We also recently obtained an invention patent from SIPO in July 2017 for a more environmentally-friendly lost foam casting process (消失模鑄造線) we developed to produce rough cast cylinder blocks without involving the core sand casting steps. Please refer to the paragraph headed "– Production and Production Facilities – Our Production Facilities – Our Precision Casting Lines" in this section for details.

While we are committed to providing a high degree of production flexibility, we also place a strong emphasis on maintaining consistent quality across all our products and across our entire operating process at all levels of management and staff. To that end, we have implemented a set of detailed quality control protocols which provide a variety of standardized procedures and measures to monitor and control each stage of our manufacturing process to ensure that our products are of consistently high quality. As a result of our stringent quality control system, our production facilities obtained the ISO/TS 16949 certification in 2012, which was subsequently renewed in 2015 and will be effective for three years. Please refer to the paragraph headed "– Quality Control" in this section for details.

Continuous optimization and innovation of production process and technologies

We dedicate significant resources to optimize our production process and improve our operational efficiency to solidify our market position. According to the Frost & Sullivan Report, we were among the first few automobile engine spare part manufacturers in China to operate a precision casting line using the advanced automatic molding machine purchased from KW to produce rough cast products. The KW automatic molding machine is characterized by a high degree of process reliability and flexibility and low maintenance and operational costs. The KW automatic molding machine uses multi-piston squeeze heads and advanced compaction technologies to produce intricate, high-caliber rough cast products to meet our customers' diverse requirements and practical needs. Please refer to the paragraph headed "– Production and Production Facilities – Our Production Facilities – Our Precision Casting Lines" in this section for details.

In addition, together with a group of industry partners we engaged, we designed, constructed and have begun to implement a collaborative smart manufacturing process, making us one of the first automobile engine spare part manufacturers in China to adopt the intelligent manufacturing initiatives, according to the Frost & Sullivan Report. Since December 2015, we have started designing and developing an integrated smart manufacturing process to allow us to monitor each stage of our production in real time and respond rapidly to any problems or changes in production conditions. Our comprehensive smart manufacturing process is designed to comprise a set of interrelated intelligent manufacturing systems, including automated processing lines equipped with robotic systems, a "smart factory" network platform, a manufacturing execution system, an enterprise resource planning system, a product lifecycle management system and a big data analytics platform. Please refer to the paragraph headed "– Production and Production Facilities – Our Smart Manufacturing Process" in this section for details. As at June 30, 2017, we had completed the design and construction of three automated processing lines for the manufacture of light-weight cylinder block and cylinder head products and the establishment of the "smart factory" network platform. We believe the implementation of intelligent manufacturing systems enables us to produce higher quality products, achieve greater productivity and increase our overall operational efficiency. These three automated processing lines already began mass production in November 2017. We are currently in the process of designing and developing the remaining intelligent manufacturing systems and connecting such systems with each other to create a fully integrated smart manufacturing process across our three existing processing lines. We intend to continue to implement our smart manufacturing process in more production lines in the future. Please refer to the paragraphs headed "– Our Business Strategies – Continue to implement intelligent manufacturing to increase operational efficiency" and "– Production and Production Facilities – Our Smart Manufacturing Process" in this section for details.

Strong design and research and development capabilities

We believe our design and research and development capabilities are among our key strengths in attracting new customers and maintaining relationships with our existing customers. The customized and changing nature of products from year to year and from customer to customer means the ability to quickly and effectively produce cylinder blocks and other related products according to customer specifications is one of the key criteria customers use when selecting a supplier, along with quality, price, brand and production capacity. Our research and development team has extensive experience in production process design and is able to select the most appropriate production equipment and processes and apply advanced manufacturing techniques to develop and manufacture products in line with our customers' specific requirements and practical needs. Our engineers also work directly with customers to develop new products or improve existing ones based on models, prototypes or concepts for which the customer does not have a pre-existing blueprint and has not produced all relevant specifications. For example, during the Track Record Period, we successfully developed our 393 series of cylinder blocks and cylinder heads together with Jiangxi Isuzu, and improved the performance of our 493 series of cylinder block for Jiangling Motors, among others.

We have established a dedicated research and development department comprising approximately 36 engineering staff as at the Latest Practicable Date. Our commitment to research and development has been recognized by the industry, and in 2015, we were jointly recognized by Hebei Science and Technology Department* (河北省科學技術廳), Hebei Department of Finance* (河北省財政廳), Hebei State Administration of Taxation* (河北省國家稅務局) and Hebei Local Administration of Taxation* (河北省地方稅務局) as a "High and New Technology Enterprise" (高新技術企業). We were also jointly recognized by Hebei Development and Reform Commission* (河北省發展改革委員會), Hebei Science and Technology Department* (河北省科學技術廳), Hebei Industry and Information Technology Department* (河北省工業和信息化廳), Hebei Department of Finance* (河北省財政廳), Hebei State Administration of Taxation* (河北省國家稅務局) Hebei Local Administration of Taxation* (河北省地方稅務局) and Shijiazhuang Customs* (石家莊海關) as an "Enterprise Technology Research and Development Center in Hebei Province" (河北省企業技術中心) in 2016. In addition, a number of our engineers have been recognized individually for the technological advancements they achieved. For example, Mr. Zu Bingfeng (祖炳峰), our research and development specialist, was appointed as a member of the committee of experts of China Internal Combustion Engine Industry Association* (中國內燃機工業協會) in November 2011. Mr. Fu Guangqi (付光琦), our research and development specialist, won the "Second Prize of Tianjin Science and Technology Progress Award" (天津市科技進步二等獎) for his design of the Series 160 water-cooled diesel engine in September 2002. As at the Latest Practicable Date, we owned 12 patents in the PRC, including 11 utility model patents and one invention patent, for our self-developed production equipment and processes in relation to the manufacture of cylinder blocks and cylinder heads.

In addition to in-house research and development capabilities, we have developed strategic cooperation relationships with leading universities and research institutions in China. We started to collaborate with the Tianjin Internal Combustion Engine Research Institute* (天津內燃機研究所) in July 2014 to exchange technological ideas and develop new manufacturing techniques to meet the growing market demand for highly-efficient and fuel-flexible engine products. In July 2016, we entered into a cooperative arrangement with Hebei University of Technology* (河北工業大學) and another industry partner in connection with the research and development of manufacturing technologies and equipment for compacted graphite cast iron cylinder blocks (蠕墨鑄鐵缸體). Going forward, we plan to continue to extend our cooperation with other Chinese universities and research institutions to further strengthen our research and development capabilities. Please refer to the paragraph headed "– Our Business Strategies – Further enhance our product design and research and development capabilities" in this section for details.

Strong and stable customer base

We have established and maintained strong and stable relationships with our customers. In the year ended December 31, 2016, we sold our products to over 100 customers, and 64.9% of our revenue for the year came from customers with whom we had maintained relationships of more than five years as at December 31, 2016. Our customers include many of the top automobile manufacturers in China, including Jiangling Motors, Beiqi Foton Motor, Jiangxi Isuzu, JAC Motors and Great Wall Motors, among others. In the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, such customers included four, six, six and five, respectively, of the top 10 automobile manufacturers in China, which together accounted for approximately 13.4%, 24.5%, 41.4% and 24.0%, respectively, of our total revenue in the respective year/period. Our successful history of reliably providing products to such leading automakers helps us compete for their business on an ongoing basis and can help us attract new customers looking for dependable suppliers, such as Sino-foreign joint venture automobile manufacturers. We believe our existing research and development capabilities and advanced manufacturing technologies and facilities already enable us to develop and manufacture highly-efficient and fuel-flexible cylinder blocks and cylinder heads that meet the strict, internationally-recognized quality and technical standards required by the leading Sino-foreign automobile manufacturers in China. For example, to guarantee the maximum precision of our cylinder block components, we adopted manufacturing methods stricter than those of international standards to process cylinder block spindles, cylinder bores and valve guides.

In addition, our business model requires us to work closely with customers to develop cylinder blocks and other products meeting specifications they provide or which we jointly develop with them. The detailed specifications and quantity requirements may vary from year to year alongside the development of the automobile industry in China. In order to adapt to the changing market trends and customer demand, we generally enter into agreements having a one-year term with our customers, which is consistent with normal industry practice as advised by Frost & Sullivan. Our close collaboration allows us to cultivate close relationships with our customers and provides us with important information on their preferences and processes. We believe this provides us key advantages when competing for additional business from such customers and represents a further barrier to entry for new market participants.

An experienced management team with significant industry expertise

We have an experienced management team with extensive industry knowledge. Our management team consists of our executive Directors and senior management. Each of our executive Directors has at least 20 years of relevant industry and management experience. In particular, Mr. LZ Meng, our executive Director and chairman of the Board, has been working with us since 2002. Mr. LZ Meng has received a number of awards and recognitions for his expertise in entrepreneurial management and contribution to our growth. For example, Mr. LZ Meng was named a "Model Worker in Hebei Province" (河北省職工勞動模範) by Hebei Municipal Government and Hebei Federation of Trade Unions (河北省總工會) in 2009. Furthermore, Mr. LZ Meng has also held offices as the vice president of the Industry and Commerce Union in Hengshui City* (衡水市工商業聯合會) since December 2016.

We believe our management team's in-depth industry knowledge and vision have helped us to effectively formulate and implement sound business strategies, carefully evaluate and manage operational risks, accurately anticipate changes in our industry, and promptly capture market opportunities. For further details of our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this prospectus.

OUR BUSINESS STRATEGIES

We aim to strengthen our market position in China's cylinder block and cylinder head markets and to increase our market share by pursuing the following strategies:

Continue to implement intelligent manufacturing to increase operational efficiency

To further optimize our production process and improve our operational efficiency, we plan to continue to implement the smart manufacturing process in our production. We had collaborated with three corporate partners to design, construct and implement the individual intelligent manufacturing systems to be used in our smart manufacturing process. As at June 30, 2017, we had completed the construction of three automated processing lines to produce certain light-weight cylinder block and cylinder head products and the establishment of a "smart factory" network platform as part of the implementation of our smart manufacturing process. These three automated processing lines began mass production in November 2017. We are currently in the process of designing and developing the remaining intelligent manufacturing systems and connecting such systems with each other to create a fully integrated smart manufacturing process for our three existing automated processing lines. Going forward, we plan to continue to implement our smart manufacturing process by building two additional processing lines which we expect to commence production in 2019 for the manufacture of light-weight cylinder block and cylinder head products.

The following table sets forth a breakdown of the additional designed annual production capacity by product type after the commencement of production of the newly-added automated processing lines for each of the years indicated:

Product type	For the year ending December 31,		
	2017[1]	2018	2019[2]
	Production volume (units)		
Cylinder blocks	50,000	–	100,000
Cylinder heads	50,000	–	50,000
Ancillary cylinder block components	50,000	–	–

Notes:

(1) Production volume represents the additional designed annual production capacity for the year ending December 31, 2017 after the commencement of production of the three additional automated processing lines in November 2017.

(2) Production volume represents the additional designed annual production capacity for the year ending December 31, 2019 after the commencement of production of the two additional automated processing lines that we plan to build in 2019.

We believe the fully integrated smart manufacturing process will help us optimize our manufacturing process, shorten our product development cycle and reduce our production costs, which in turn will improve our overall operational efficiency. We estimate that the smart manufacturing process will be fully implemented by the end of 2019 and that our total investment in connection with the program will be approximately RMB259.5 million. As at June 30, 2017, we had already invested a cumulative amount of RMB101.0 million in the implementation of our smart manufacturing process. We expect a portion of the remaining investment cost will primarily be funded by the proceeds from the Global Offering with the remainder to be funded by bank loans and/or internal funds.

Please refer to the paragraphs headed "– Our Competitive Strengths – Continuous optimization and innovation of production process and technologies", "– Our Competitive Strengths – Continue to increase our production capacity" and "– Production and Production Facilities – Our Smart Manufacturing Process" in this section for details.

Continue to increase our production capacity

China's cylinder block market has experienced steady growth over the past few years and is expected to continue to grow at a fast pace in the future, according to the Frost & Sullivan Report. During the Track Record Period, we have expanded our production capacity in response to such increased market demand for our products. To meet the diverse needs and requirements of different customers, we are required to make capital expenditures from time to time on purchases of machinery and equipment to adjust our existing production lines or establishment of new production lines to increase production capacity for new contracts we secure with customers. Such capital expenditures are necessary due to the highly customized nature of our products, even though the utilization rates of our production facilities have not reached their maximum levels.

To help keep up with market demand and capture opportunities to solidify our market position, we intend to continue to expand our production capacity. When possible, we accomplish this through improvement of current manufacturing lines. For example, we plan to commence commercial production in the second half of 2017 of two new models of cylinder blocks by adjusting our existing mechanical processing lines with additional production machinery and equipment we purchased. We also purchase additional advanced production machinery and equipment and set up new mechanical processing lines for the manufacture of new products. We currently intend to develop and manufacture another new model of cylinder blocks for a new customer in accordance with a contract we entered into in May 2017. Please refer to the paragraph headed "– Production and Production Facilities – Our Expansion Plan" in this section for further details.

Based on the discussions we had with our customers, we expect the demand for our products to continue to increase in the near future. To meet the growing customer demand, we expect to increase our annual production capacity for the manufacture of cylinder block and cylinder head products. In particular, as we anticipate increasing demand for lighter-weight engines in the future, we plan to continue to increase the production of cylinder blocks for passenger vehicles.

The following table sets forth a breakdown of the additional designed annual production capacity by product type after the commencement of production of the newly-added production lines (excluding the automated processing lines disclosed in the paragraph headed "– Our Business Strategies – Continue to implement intelligent manufacturing to increase operational efficiency" in this section) for each of the years indicated:

	For the year ending December 31,		
Product type	**2017[(1)]**	**2018[(2)]**	**2019**
	Production volume (units)		
Cylinder blocks			
Cylinder blocks for passenger vehicles	110,000	–	–
Cylinder blocks for commercial vehicles	50,000	50,000	–
Total	160,000	50,000	–

Notes:

(1) Production volume represents the additional designed annual production capacity for the year ending December 31, 2017 after the commencement of production of the newly-added production lines as at the Latest Practicable Date. We do not have plans to build any additional production lines by the end of 2017.

(2) Production volume represents the additional designed annual production capacity for the year ending December 31, 2018 after the commencement of production of the newly-added production lines that we plan to build in 2018.

To implement our strategy, we expect to incur a total of approximately RMB37.1 million (equivalent to approximately HK$42.8 million), including (i) approximately RMB27.6 million (equivalent to approximately HK$31.8 million) to be used for the construction of a new mechanical processing line for a new model of cylinder block, and (ii) approximately RMB9.5 million (equivalent to approximately HK$11.0 million) to be used for purchasing additional machinery and equipment to upgrade our existing production lines, all of which are expected to be funded by the proceeds from the Global Offering.

Establish a Sino-foreign joint venture with a Japanese partner to produce aluminum alloy cylinder blocks and cylinder heads

With the increasing demand for lighter-weight spare parts for engines which produce lower emissions and yield higher fuel economy, aluminum alloy cylinder blocks and cylinder heads are expected to become mainstream spare parts for engines, according to the Frost & Sullivan Report. Please refer to the paragraph headed "Industry Overview – China's Automobile Engine Spare Part Industry – Developmental Trends of China's Automobile Engine Spare Part Industry" in this prospectus for further details. To capture the new growth opportunities in response to such increased market demand, we had started to produce aluminum alloy cylinder blocks since November 2013. However, due to lack of precision casting lines for aluminum alloy rough cast products, we have been purchasing all of the rough cast products necessary to produce such cylinder blocks directly from our customers or from third party suppliers, which incurs relatively higher cost of sales than manufacturing such rough cast products ourselves. In order to reduce our costs and improve our technological expertise, we plan to partner with TMS Corporation* (株式会社TMSコーポレーション), a Japan-based specialized automobile engine spare part producer and an Independent Third Party, to establish a Sino-foreign joint venture for the manufacture of aluminum alloy cylinder blocks and cylinder heads. Our Japanese partner has significant technical knowledge and expertise in the manufacture, in particular precision casting, of aluminum alloy rough cast products. We believe such strategic partnership positions us to leverage our Japanese partner's technological advantages in this area and enables us to enhance our ability to produce high-quality, cost-efficient aluminum alloy cylinder block and cylinder head products.

In May 2017, we entered into a letter of intent with such Japanese partner, pursuant to which the parties stated their intent to form a joint venture in Hengshui City with an initial registered capital of RMB30.0 million and a business term of ten years. Under the terms of the letter of intent, we will initially hold 65% of the shareholding in the joint venture, whereas the Japanese partner will hold the remaining 35% with the possibility of a further increase to 49% in the future. Under the terms of the joint venture as currently contemplated, the Japanese joint venture partner will be mainly responsible for quality control and providing on-site technical support through experienced technicians and engineering staff dispatched from Japan to work in China at the expense of the proposed joint venture. We will primarily be in charge of procurement, manufacturing and finance-related matters, as well as lease of a portion of our premises and facilities to the joint venture at no cost at the initial stage of collaboration. It is further contemplated that profits and losses of the joint venture will be shared among joint venture partners according to their respective shareholdings at the relevant time. We estimate our total investment cost relating to formation and operation of the joint venture will be RMB19.5 million (equivalent to approximately HK$22.5 million), to be funded using the proceeds from the Global Offering and our bank loans and/or internal funds. We may also explore opportunities to develop engine-related products for clean energy vehicles with the Japanese partner, which we believe may be complementary to our existing business. We are currently in the process of finalizing the terms of cooperation with our Japanese partner.

Pursue strategic alliance with a Swiss technology provider of surface solutions

We are actively evaluating and seeking opportunities for strategic alliances and business cooperation that we believe will complement our current business operations and strengthen our technological capabilities. We plan to enter into a strategic partnership with a Swiss-based market leader focused on providing surface solutions to introduce thermal spray coating equipment and technologies in our production of cylinder blocks. Thermal spraying is an industrial coating process considered to be a cost-effective method for enhancing surface properties of automobile engines and spare parts, thereby effectively reducing fuel consumption and vehicle emissions. According to the Frost & Sullivan Report, the thermal spray technology is currently applied by a limited number of global automobile manufacturers, such as BMW, Volkswagen and Nissan, and enables such automakers to enjoy better profit margins due to the enhanced performance of engines. Through our partnership with the Swiss partner, we expect to develop and apply the appropriate coating process and technologies to help increase the resistance of our cylinder block products to high temperature environments and corrosive effects. Such thermal spray technology has not been widely used in China by the domestic manufacturers for the commercial manufacture of automobile engines and spare parts. We believe early adoption of such advanced technology in our manufacturing process further increases our competitiveness and positions us to capitalize on the opportunity arising from eventual widespread use of such application.

In August 2016, we entered into a tri-party agreement with an existing customer and the Swiss partner's wholly-owned subsidiary in China, Oerlikon Metco Surface Technology (Shanghai) Co., Ltd. (歐瑞康美科表面技術(上海)有限公司). Under the agreement, we would produce and provide a specific model of cylinder block that is to be manufactured and sold to the involved customer for use in a thermal spray trial to be carried out by the Swiss partner. The agreement also provides for the following cost-sharing arrangement: (i) we will bear all costs and expenses for providing the designated cylinder block models; and (ii) the customer will bear all costs and expenses for conducting the product performance testing after the thermal spray trial. We are currently in negotiation with the Swiss partner on the cost-sharing arrangement relating to conducting the thermal spray trial and are expected to be primarily responsible for the costs and expenses incurred in this regard. We are not subject to any product liabilities arising from the thermal spray trial as such products were produced on a trial basis and not sold to the public. Upon the successful completion of this trial, we plan to purchase from the Swiss partner the thermal coating equipment and materials necessary for the mass production of more cylinder block products to be sold to this customer. Once we have purchased the equipment and materials needed for mass production, we would be responsible for any potential product liabilities related to our cylinder block products that were manufactured using the thermal spray technologies. We also plan to engage in further discussions with the Swiss partner on pricing of such equipment and materials before we make an actual purchase. In addition, the Swiss partner will provide necessary technical support and guidance as well as research and development services relating to the use of the thermal coating equipment and technologies in our production process. Our management expects to continue to collaborate with the Swiss partner and adopt the thermal spray technology in our other products manufactured for more prospective customers in the future.

Further enhance our product design and research and development capabilities

We believe it is essential for us to continue to strengthen our product design and research and development capabilities in order to further increase our market share in China and to expand our operations to include higher-end products, in particular those used in engines for clean energy vehicles. We will focus our research and development efforts on developing high quality products and improving our technologies. To that end, we plan to implement the following strategies:

- *Expand our in-house research and development team:* We intend to recruit additional qualified engineers with solid educational backgrounds and extensive industry experience and further increase our investment in research and development. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we invested RMB15.5 million, RMB19.7 million, RMB20.8 million and RMB9.5 million, respectively, into research and development. We will also continue to provide our research and development personnel with ongoing training to help improve their technical skills and support their professional development. We expect to incur approximately RMB8.4 million (equivalent to approximately HK$9.7 million) in relation to expanding our in-house research and development team, all of which will be funded by the proceeds from the Global Offering.

- *Strengthen collaboration with universities and research institutions:* We plan to continue to strengthen our collaboration with various Chinese universities and research institutions in the engine-related sectors to improve and refine our existing technologies more efficiently and develop a broader range of high quality products. In addition to our existing partnerships with Tianjin Internal Combustion Engine Research Institute and Hebei University of Technology, we are looking to enter into cooperative arrangements and have started discussing possible ways of collaboration with several other prestigious Chinese universities. In general, we are entitled to own the intellectual property rights of the products jointly developed by us and our cooperative universities and research institutions. We expect to incur approximately RMB0.7 million (equivalent to approximately HK$0.8 million) for strengthening our collaboration with universities and research institutions, all of which will be funded by the proceeds from the Global Offering.

OUR BUSINESS MODEL

We are principally engaged in the design, development, production and sales of cylinder blocks, as well as cylinder heads and certain cylinder block components, to automobile manufacturers and engine manufacturers in China. We work closely with our customers to provide a set of high-quality, customized products. We conduct manufacturing operations for our major products through a closely-integrated cycle. The following diagram illustrates our business model:

Develop Business Strategy

Our business development process begins around December of each year with an examination by our sales and marketing department of our corporate strategies, market environment, customer relationships and expectations and available resources for the following year. Based on this examination, our sales and marketing department creates a strategic plan that covers a description of our business objectives, including growth and revenue objectives, our high level strategic goals, such as target markets and customers, and a detailed sales plan for our sales force. We then communicate our strategic plan to our production department to guide business development and product and process design decisions.

Pursue Business Opportunities

Our sales and marketing department prepares marketing analysis reports forecasting market demand and business opportunities on a monthly basis. Business opportunities arise when existing customers or potential new customers commence a production plan for a new or recurring cylinder block and/or cylinder head product and invite us to submit quotations to supply such product. Once a potential customer advises us about a new business opportunity, our sales and marketing department will evaluate the opportunity and make recommendations to the production department on whether to pursue such opportunity. A business proposal will then be developed by the sales and marketing department, which is prepared considering factors such as time, unit volumes, production costs, production process, payment terms and other special terms and conditions. This business proposal is submitted for consideration and approval by the business heads of our production department, quality control department, and research and development department, and finally approved by our general manager. Upon approval, our sales and marketing team submits a quotation and engages in negotiation with the customer. The price provided in the quotation is generally based upon then-current market conditions. Please refer to the paragraph headed "– Sales and Marketing – Pricing Policy" in this section for details of our pricing policy. If we are selected to become a supplier of the products, we will enter into a sales agreement with the customer. Please refer to the paragraph headed "– Our Customers – Agreements with Customers – Sales Agreements" in this section for details.

Design, Research and Development

For new products, once we have been accepted as a supplier, we will commence the design and research and development process. During this process, our research and development department typically works closely with our customers to custom design products according to specific requirements of customers either based on specifications and technical blueprints provided by the customers, or pursuant to joint design and development along with our customers based on concepts or sample products provided by customers. A prototype reflecting the results of the research and development process will be produced and undergo a series of testing processes to ensure the prototype adheres to the design and all of the customers' specific requirements. After the commencement of the commercial production, customers may sometimes request further improvement or adjustment of existing products. In such cases, customers provide further specifications and a new research and development process will be commenced.

Procurement and Production

For new products, once a prototype is confirmed and produced, we contract with our customers or third-party suppliers to procure raw materials and key components for commercial production pursuant to the sales agreement we entered into with such customer. Please refer to the paragraph headed "– Our Customers – Agreements with Customers" in this section for details. For recurring products, we produce quantities of the specified product pursuant to a renewed sales agreement we entered with the customer.

We primarily engage in mechanical processing of cylinder blocks and cylinder heads using rough cast products provided by our customers or sourced from third-party suppliers selected by ourselves or designated by our customers. We also produce some of the rough cast cylinder blocks and cylinder heads ourselves. In the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we produced approximately 30.6%, 37.5%, 42.6% and 51.6%, respectively, of the rough cast cylinder blocks and cylinder heads ourselves and sourced the remaining rough cast products from third-party suppliers or from the customers themselves.

Product Delivery and Warranty

We are normally responsible for the delivery of our products to locations specified by our customers. Actual delivery details, including delivery amount and dates, will be subject to purchase orders which are generally provided by our customers on a monthly basis.

We also provide product warranties to our customers for a designated warranty period applicable to each product. Our warranties are typically limited to product defects or failures that do not conform to the specifications of the products or the quality standards as agreed with the customers. Please refer to the paragraphs headed "– Our Customers – Agreements with Customers" and "– Sales and Marketing – Sales Return Policy and Warranty" in this section for details.

OUR PRODUCTS

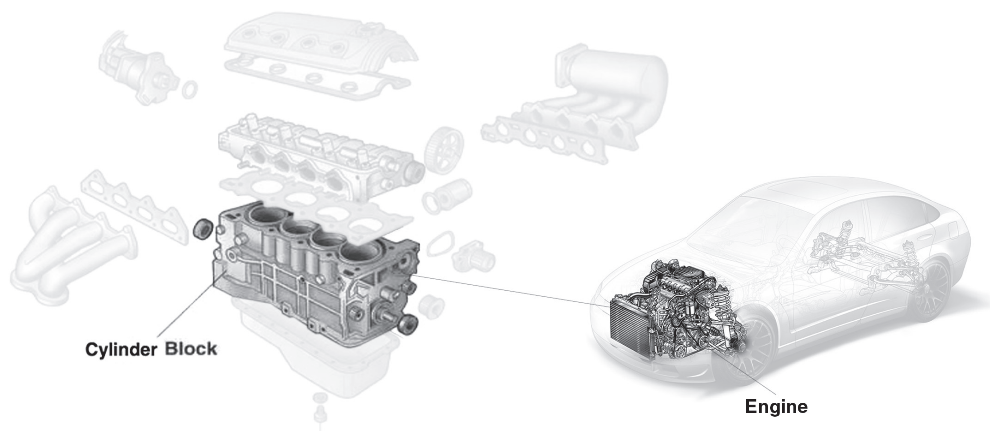
We primarily manufacture cylinder blocks used for a wide variety of vehicles, including passenger vehicles, commercial vehicles and industrial vehicles. We also manufacture cylinder heads as well as certain other structural components of cylinder blocks, primarily including main bearing caps and flywheels.

The following table sets forth our revenue, sales volume and average selling price by segment and major product type during the Track Record Period:

	For the year ended December 31,												For the six months ended June 30,							
	2014				2015				2016				2016				2017			
Product Type	Revenue	Percentage of total	Sales volume	Average selling price	Revenue	Percentage of total	Sales volume	Average selling price	Revenue	Percentage of total	Sales volume	Average selling price	Revenue	Percentage of total	Sales volume	Average selling price	Revenue	Percentage of total	Sales volume	Average selling price
	RMB'000	*%*	*Units*	*RMB*	*RMB'000*	*%*	*Units*	*RMB*	*RMB'000*	*%*	*Units*	*RMB*	*RMB'000*	*%*	*Units*	*RMB*	*RMB'000*	*%*	*Units*	*RMB*
													(unaudited)							
Cylinder blocks																				
Cylinder blocks for passenger vehicles	19,651	4.6	42,312	464.4	58,508	12.1	75,850	771.4	231,981	34.6	289,678	800.8	93,556	30.3	113,362	825.3	124,446	38.9	170,314	730.7
Cylinder blocks for commercial vehicles	267,725	62.0	206,123	1,298.9	263,466	54.8	212,319	1,240.9	252,533	37.7	204,376	1,235.6	125,624	40.7	104,494	1,202.2	106,231	33.2	94,426	1,125.0
Cylinder blocks for industrial vehicles	21,243	4.9	25,857	821.6	31,864	6.6	34,253	930.3	54,430	8.2	53,939	1,009.1	26,695	8.7	26,914	991.9	31,882	10.0	31,483	1,012.7
Subtotal	308,619	71.5	274,292	1,125.1	353,838	73.5	322,422	1,097.4	538,944	80.5	547,993	983.5	245,875	79.7	244,770	1,004.5	262,559	82.1	296,223	886.4
Cylinder heads	100,390	23.2	164,914	608.7	97,472	20.3	170,897	570.4	90,919	13.5	158,768	572.7	45,065	14.6	80,233	561.7	45,611	14.3	77,721	586.9
Ancillary cylinder block components	22,960	5.3	2,633,629	8.7	29,817	6.2	3,500,864	8.5	40,031	6.0	4,552,967	8.8	17,637	5.7	2,062,397	8.6	11,778	3.6	1,088,689	10.8
Total	431,969	100.0			481,127	100.0			669,894	100.0			308,577	100.0			319,948	100.0		

Cylinder Blocks

A cylinder block is a main structure of the automobile engine in which combustion of fuel takes place. It provides space for the required number of cylinders along with the associated surrounding structures, including coolant passages, intake and exhaust passages and crankcase. As one of the key components of an automobile engine, defect acceptance levels for cylinder blocks need to be very low as they directly affect the performance, life cycle and other important indicators of an automobile engine.



We commenced production and sales of cylinder blocks in April 2003. We generally sell our cylinder blocks to major automobile manufacturers and engine manufacturers in China. During the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we sold approximately 274,000, 322,000, 548,000, 245,000 and 296,000 cylinder blocks, respectively, at an average selling price of approximately RMB1,125.1 per unit, RMB1,097.4 per unit, RMB983.5 per unit, RMB1,004.5 per unit and RMB886.4 per unit, respectively.

We classify our cylinder block products primarily into three categories based on different types of vehicles in which the cylinder block will be used, namely, cylinder blocks for passenger vehicles, commercial vehicles and industrial vehicles.

During the Track Record Period, sales of our cylinder block products grew significantly. In particular, our cylinder blocks for passenger vehicles increased significantly both in terms of sales volume and revenue, as customer demand for such products grew driven by increasing sales of passenger vehicles in China. As a result, revenue from sales of cylinder blocks used in passenger vehicles increased from 6.4% of our total revenue from cylinder block sales in 2014 to 43.0% in 2016, and further to 47.4% in the six months ended June 30, 2017.

The following table sets forth the details of our main cylinder block products:

Categories	Series	Capacity *(liter)*	Emission Standards	Major Raw Materials Used	Illustrations
Cylinder blocks for passenger vehicles	4G15/4G15T	1.5	China V	Grey cast iron alloy	
	A151	1.5-1.6	China V	Aluminum alloy	
	1.5/1.5T/1.5Z	1.5	China V	Grey cast iron alloy or aluminum alloy	 
	1.6	1.6	China V	Aluminum alloy	
	3G10	1.0	China V	Aluminum alloy	
Cylinder blocks for commercial vehicles	483	2.6	China V	Grey cast iron alloy	
	493	2.5-2.8	China V	Grey cast iron alloy	
	VM2.5	2.5	China VI	Grey cast iron alloy	
	G501	1.5	China VI	Grey cast iron alloy	
Cylinder blocks for industrial vehicles	Yuchai	2.199-4.156	T4	Grey cast iron alloy	
	493 (with cylinder liner)	2.8	T4	Grey cast iron alloy	

Cylinder Blocks for Passenger Vehicles

Our cylinder blocks for passenger vehicles are normally used in light-weight engines of 1.0-1.6 liters. These cylinder blocks for passenger vehicles are produced either from grey cast iron alloy which provides high strength and wear resistance or from aluminum alloy which is lighter in weight and can be used in more fuel-efficient engines. Sales volume of cylinder blocks for passenger vehicles and corresponding revenue grew significantly during the Track Record Period. Revenue from sales of cylinder blocks used in passenger vehicles increased from approximately 6.4% of total revenue from sales of cylinder blocks in the year ended December 31, 2014 to approximately 16.5% in the year ended December 31, 2015, and increased further to approximately 43.0% in the year ended December 31, 2016. Revenue from sales of cylinder blocks for passenger vehicles increased from approximately 38.1% of total revenue from sales of cylinder blocks in the six months ended June 30, 2016 to approximately 47.4% in the six months ended June 30, 2017. We plan to continue to increase the production of cylinder blocks for passenger vehicles, in particular aluminum alloy cylinder blocks, as we anticipate increasing demand for lighter weight engines in the future.

Cylinder Blocks for Commercial Vehicles

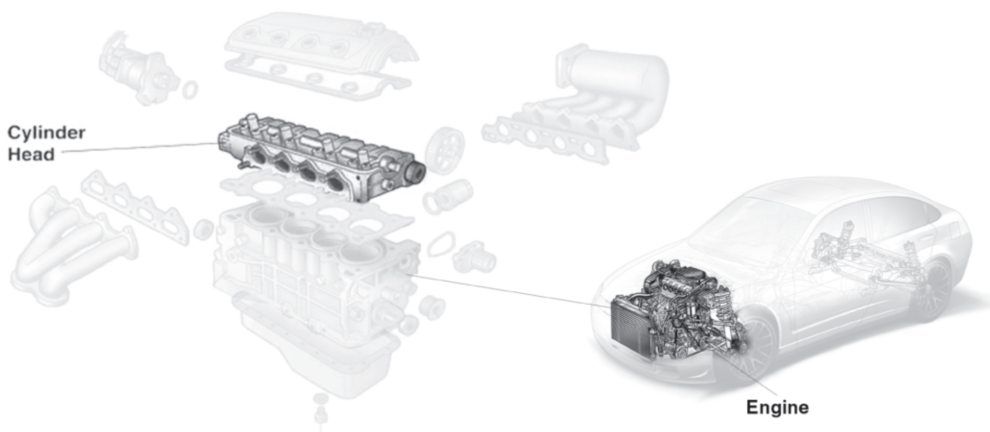
Cylinder blocks for commercial vehicles constituted a significant portion of cylinder blocks we produced and sold during the Track Record Period. Our cylinder blocks for commercial vehicles are made from grey cast iron alloy and are normally used in engines of 1.5 liters or above. Revenue from sales of cylinder blocks used in commercial vehicles decreased from approximately 86.7% of total revenue from sales of cylinder blocks in the year ended December 31, 2014 to approximately 74.5% in the year ended December 31, 2015, and decreased further to approximately 46.9% in the year ended December 31, 2016. Revenue from sales of cylinder blocks for commercial vehicles decreased from approximately 51.1% of total revenue from sales of cylinder blocks in the six months ended June 30, 2016 to approximately 40.5% in the six months ended June 30, 2017.

Cylinder Blocks for Industrial Vehicles

Our cylinder blocks for industrial vehicles are designed for use in a variety of industries, such as farming, urban construction and landscape engineering. Our cylinder blocks for industrial vehicles are made from grey cast iron alloy and are normally used in engines of 2.1 liters or above. Sales volume of cylinder blocks for industrial vehicles and corresponding revenue grew during the Track Record Period due to increased demand for our Yuchai series of cylinder blocks. In particular, sales of our Yuchai series of four-cylinder cylinder block, which was upgraded from the original two-cylinder cylinder block, grew significantly over the Track Record Period. Revenue from sales of cylinder blocks used in industrial vehicles increased from approximately 6.9% of total revenue from sales of cylinder blocks in the year ended December 31, 2014 to approximately 9.0% in the year ended December 31, 2015, and increased further to approximately 10.1% in the year ended December 31, 2016. Revenue from sales of cylinder blocks for industrial vehicles increased from approximately 10.9% of total revenue from sales of cylinder blocks in the six months ended June 30, 2016 to approximately 12.1% in the six months ended June 30, 2017.

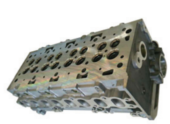
Cylinder Heads

A cylinder head is a major component of the engine which sits on top of the cylinder block and provides space for passages that feed air and fuel into a cylinder and allow the exhaust to escape. A cylinder head has to withstand huge pressure and very high temperatures while retaining its shape and form to seal the cylinder block via the head gasket.

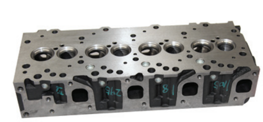


We commenced production and sales of cylinder heads in November 2003. Our cylinder heads are primarily used in commercial vehicles and often sold, together with cylinder blocks, to automobile manufacturers and engine manufacturers in China. During the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we sold approximately 165,000, 171,000, 159,000, 80,000 and 78,000 cylinder heads, respectively, at an average selling price of approximately RMB608.7 per unit, RMB570.4 per unit, RMB572.7 per unit, RMB561.7 per unit and RMB586.9 per unit, respectively.

Our cylinder heads are produced either from grey cast iron alloy or aluminum alloy. The following pictures illustrate some of our major cylinder head products over the Track Record Period:

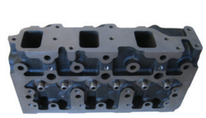


Cylinder head: Series 483

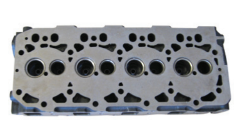


Cylinder head: Series 493

Cylinder head: Series 388



Cylinder head: Series KD388



Cylinder head: Series 488

Cylinder head: Series 373

We believe we are one of a limited number of major specialized cylinder block manufacturers in China that also manufactures cylinder heads, according to the Frost & Sullivan Report. We believe the convenience of being able to source both product types from a single trusted supplier is valued by our customers and provides us with a competitive advantage in obtaining and retaining key customers. In addition, as cylinder head products generally had a higher gross profit margin than our other products, we intend to further increase our profitability by allocating more resources to the sales and manufacture of cylinder heads, and in particular, cylinder heads used in passenger vehicles made from aluminum alloy, in the future.

Ancillary Cylinder Block Components

In addition to cylinder blocks and cylinder heads, we also produced and sold other structural components of cylinder blocks, primarily including main bearing caps and flywheels, during the Track Record Period:

- *Main bearing cap:* Main bearing caps are used in piston engines to secure the crankshaft against the cylinder block. Our main bearing caps help prevent the forces created by the piston and transmitted to the crankshaft by forcing the crank to convert the reciprocating movement into rotation.

- *Flywheel:* A flywheel is designed to keep the crankshaft in the cylinder block turning smoothly during the periods when no power is being applied. Our flywheels are easy to install and highly resistant to rust and corrosion. As at June 30, 2017, we had produced and sold more than 20 different models of flywheels to accommodate our customers' diverse needs and requirements.

In the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, revenue for sales of ancillary cylinder block components was RMB23.0 million, RMB29.8 million, RMB40.0 million, RMB17.6 million and RMB11.8 million, respectively, representing 5.3%, 6.2%, 6.0%, 5.7% and 3.6%, respectively, of total revenue for those periods.

Given the relatively limited amounts involved, since early 2017, we began outsourcing mechanical processing of most of our ancillary cylinder block components to third-party contractors while continuing to engage in precision casting of the rough cast components ourselves. We believe such arrangement enables us to better utilize our own resources and focus on our core businesses. Please refer to the paragraph headed "Production and Production Facilities – Our Production Process" in this section for details.

Seasonality

Our business is subject to seasonal fluctuations. We typically achieve higher revenue from increased sales of our cylinder block and cylinder head products in the fourth quarter of each year, which generally mirrors the seasonality patterns of the automotive industry in China.

PRODUCTION AND PRODUCTION FACILITIES

Our Production Process

The production process for our cylinder blocks and cylinder heads can be broadly categorized into two major steps: precision casting of rough cast products and mechanical processing of such rough cast products to produce a finished product. For a majority of the cylinder block and cylinder head products we sold over the Track Record Period, we did not carry out precision casting ourselves, but engage in mechanical processing on the rough cast products provided by customers or third-party suppliers. We also produced a growing portion of rough cast products ourselves, in which case the precision casting process is required prior to the mechanical processing. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, approximately 118,000, 169,000, 287,000 and 196,000, respectively, of the cylinder blocks and cylinder heads we produced included rough cast products we had manufactured ourselves, representing approximately 30.6%, 37.5%, 42.6% and 51.6%, respectively, of the total cylinder blocks and cylinder heads we produced during the same periods.

Going forward, we intend to increase the percentage of cylinder blocks and cylinder heads for which we manufacture rough cast products ourselves. Such production model typically provides us with relatively higher gross margins, and we believe automakers and engine producers are increasingly inclined to outsource casting of rough cast engine spare parts to specialized external producers, according to the Frost & Sullivan Report.

In addition, we have historically engaged in both precision casting and mechanical processing to produce limited amounts of ancillary cylinder block components, including main bearing caps and flywheels. Beginning in early 2017, we have begun outsourcing the mechanical processing of such cylinder block components to third-party contractors while continuing to engage in precision casting of the rough cast components to enhance our efficiency in the use of our capital and human and other resources.

Precision Casting

Precision casting involves the use of molds, core-making equipment, sand conditioning systems, cooling devices and grinding machines, to form a rough cast cylinder block or cylinder head. The basic precision casting process for cylinder heads and cylinder blocks is similar. The average production time required for precision casting of a rough cast cylinder block or cylinder head is approximately 18 hours.

The following diagram illustrates the principal steps of the precision casting process:

Preparing raw materials	Prepare and inspect raw materials for casting.
↓	
Smelting	Smelt casting materials, such as crude iron and scrap steel, in electric furnaces by adding different alloy element materials for casting; use heat analyzer and spectrometer to test and adjust the composition of different chemical elements according to the relevant technical requirements.
↓	
Coremaking	Use cold and hot core-making equipment and corresponding sand core molds to manufacture sand cores in the inner cavity of the rough casts; assemble the cores to a whole core group; soak and dry the core group.
↓	
Sand conditioning	Use the sand conditioning system to weigh and add new sands automatically and stir up the old sands, clay, and coal dust; test sand samples to guarantee that the performance of the molding sand is satisfactory to the relevant technical requirements.
↓	
Molding and casting	Make the sand molding, mill the pouring cup and drill through the air-vent needle according to the relevant technical requirement; put the sand core into the molding, close and cast it.
↓	
Cooling	Cool the rough casts in the cooling section to eliminate the deformation caused due to internal stress.
↓	
Sand stripping	Strip the sands in the inner cavity and on the surface of the rough casts through core knock-out machine and blasting treatments to meet the requirement of brightness of the rough casts.
↓	
Deburring and flash removal	Use special grinding machines to remove flash and burr.
↓	
Inspection	Conduct inspection of rough cast products to ensure there are no defaults and the size is within the range of the technical requirements.
↓	
Anti-corrosion treatment and delivery to warehouse	Rough cast products that pass the inspection will undergo an anti-corrosion treatment, following which they will be packed and delivered to our warehouse.

Mechanical Processing

Mechanical processing involves the use of digital control milling machines, boring machines, vertical machining center, screw machines, cleaning machines and honing machines to finish the surface of the rough cast cylinder block or cylinder head and ensure the finished product corresponds to the exact dimensions and contains the spaces and passages needed for the completed product. The average production time required for mechanical processing of a cylinder block and a cylinder head is approximately 3.2 hours and two hours, respectively.

Mechanical Processing Process for Cylinder Blocks

The following diagram illustrates the principal steps in the mechanical processing of cylinder blocks:

Determination of processing benchmarks	Use digital control milling machines and vertical machining center to determine the processing benchmarks for rough cast cylinder block.
Rough machining	Use digital control milling machines, boring machines and vertical machining center to conduct rough machining operations on the surface, crankshaft and cylinder bore of the rough cast cylinder block.
Processing of cylinder bore	Use vertical machining center to process the cylinder bores on the six sides of the rough cast cylinder block.
Installation of main bearing cap	Use digital control screw machine to install the main bearing cap on the rough cast cylinder block.
Finish machining on crankshaft bore	Use digital control boring machines to conduct finish machining operations on the crankshaft bore.
Finish machining on cylinder bore	Use digital control honing machine to conduct finish machining on cylinder bore.
Finish machining on surface of cylinder block	Use digital control milling machine to conduct finish machining on the surface of cylinder block.
Leakage test	Use liquid (such as oil, water, etc.) to perform a leakage test on the cylinder block.
Cleaning	Use cleaning machine to clean a complete cylinder block.
Final inspection	Use various inspection instruments, including coordinate measuring instrument, pneumatic measuring instrument and cylindricity measuring instrument, to conduct inspections on finished products to ensure compliance with the blueprint; generate an inspection report.
Packaging and delivery to warehouse	Final products will undergo an anti-corrosion and dust separation treatment, following which they will be packed and delivered to our warehouse.

Mechanical Processing Process for Cylinder Heads

The following diagram illustrates the principal steps in the mechanical processing of cylinder heads:

Determination of processing benchmarks	Use digital control milling machines and vertical machining center to determine the processing benchmarks for rough cast cylinder head.
Rough machining	Use digital control milling machines to conduct rough machining operations on the surface of the rough cast cylinder head.
Processing of cylinder bore	Use vertical machining center to process the cylinder bores on the six sides of the rough cast cylinder head.
Initial cleaning	Use cleaning machine to clean the surface and inner cavity of a rough cast cylinder head for preparation of finish machining.
Finish machining on the surface of cylinder head	Use digital control honing machine to conduct finish machining on the surface of cylinder head.
Finish machining on main bores of cylinder head	Use vertical machining center to conduct finish machining on main bores of cylinder head, such as fuel injector hole, spark plug hole, etc.
Finish machining on catheter ring	Use digital control drilling machine to conduct finish machining on catheter ring.
Leakage test	Use liquid (such as oil, water, etc.) to perform a leakage test on the cylinder head.
Cleaning	Use cleaning machine to clean a complete cylinder head.
Final inspection	Use various inspection instruments, including coordinate measuring instrument, pneumatic measuring instrument and cylindricity measuring instrument, to conduct inspections on finished products to ensure compliance with the blueprint; generate an inspection report.
Packaging and delivery to warehouse	Final products will undergo an anti-corrosion and dust separation treatment, following which they will be packed and delivered to our warehouse.

Our Production Facilities

All of our production facilities are located in Hengshui City, Hebei Province, the PRC. As at June 30, 2017, we owned and operated a total of three precision casting lines and 13 mechanical processing lines (including 11 for cylinder blocks, one for cylinder heads and one for other ancillary cylinder block components).

Our production facilities are highly flexible. A majority of our production lines can be adjusted to produce products with different specifications by adding or replacing certain production equipment without incurring significant setup time and costs. For example, our flexible vertical machining centers contain adjustable plug-in consoles that can be retrofitted in various ways by incorporating positioning clamps, cutters or other machinery with different functionality and pattern accessibility to meet different product specifications. Each of our vertical machining centers also has a programmable control system where specific production data and information can be input and transmitted. The ability to produce different products and models on a single production line allows us to significantly reduce our equipment cost while maintaining the quality and diversity of our products.

Our Precision Casting Lines

As at June 30, 2017, we owned and operated three precision casting lines to produce rough cast products, including:

- *KW automatic casting line:* One of our casting lines has been built with an automatic molding machine purchased from KW and can produce both rough cast cylinder blocks and cylinder heads. We started to construct the KW automatic molding machine in December 2012, which commenced commercial production in May 2014. The KW automatic molding machine uses multi-piston squeeze heads and advanced compaction technologies to produce intricate, high-caliber rough cast products. In addition, the KW automatic molding machine contains a variety of modular components that facilitate a flexible equipment configuration to produce rough cast cylinder blocks and cylinder heads in line with our customers' diverse requirements and specific needs.

- *Lost foam casting line (消失模鑄造線):* We operate a separate casting line for cylinder blocks that uses our self-developed lost foam casting process. Our lost foam casting process adopts a cavity-less method, using a polystyrene foam pattern injected into a preheated mold and decomposed by molten metal. The molten metal replaces the foam pattern and precisely duplicates all of the features of the pattern. This casting process is advantageous for complex castings and is regarded more environmentally-friendly and cost-efficient as it eliminates the need for sand and other chemicals to form the shape of the rough cast products. In July 2017, we obtained an invention patent from SIPO for our self-developed lost foam casting process.

- *Vertically-parted automatic casting line (垂直分型自動鑄造線):* We operate a vertically-parted automatic casting line to produce a small number of rough cast ancillary cylinder block components. Our vertically-parted automatic casting line mainly consists of a ZZ416BCT modeling machine and an automatic mold conveyor. The automatic mold conveyor ensures the high-precision synchronization of the sand mold and the casting models in the casting process. This casting line also uses the sand shooting and hydraulic squeeze molding technology to prevent shifting, distortion or displacement of the rough cast products.

The following table sets forth the designed production capacity, actual production volume and utilization rate of our precision casting lines for rough cast cylinder blocks during the Track Record Period:

Rough cast cylinder block production[(1)]	**For the year ended December 31,**			**For the six months ended June 30,**
	2014	**2015**	**2016**	**2017**
Designed production capacity *(units)*[(2)]	142,895	261,586	466,793	333,096
Actual production volume *(units)*[(3)]	97,436	183,976	279,874	215,560
Utilization rate *(%)*[(4)]	68.2	70.3	60.0	64.7

Notes:

(1) Calculation does not take into account the designed production capacity and production volume of the vertically-parted automatic casting line given it is only used for production of rough cast ancillary cylinder block components which represented a relatively limited amount of revenue during the Track Record Period. In the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, revenue from sales of ancillary cylinder block components represented only 5.3%, 6.2%, 6.0% and 3.6%, respectively, of our total revenue.

(2) Designed production capacity represents the sum of the designed production capacity for the year or period of the KW automatic casting line and the lost foam casting line to produce rough cast cylinder blocks. Designed production capacity of each precision casting line is calculated based on the designed production capacity per shift, assuming that (i) there are two eight-hour shifts per day, 25 days per month (which takes into account the normal maintenance and repair downtime required), and (ii) the KW automatic casting line is used to only produce rough cast cylinder blocks.

(3) As our KW automatic casting line can be adjusted to produce both rough cast cylinder blocks and rough cast cylinder heads, for the purpose of consistency, we convert the number of rough cast cylinder heads produced by the KW automatic casting line to rough cast cylinder blocks when calculating the annual production volume.

(4) Utilization rate is calculated by dividing the actual production volume for the year/period by the designed production capacity for the year/period.

Our production capacity for precision casting of rough cast cylinder blocks increased steadily during the Track Record Period primarily due to commencement of production on our new KW automatic casting line in May 2014 and addition of electric furnace and melting equipment on our KW automatic casting line in June 2015, respectively. Utilization rate of our precision casting lines for rough cast cylinder blocks increased from 68.2% in 2014 to 70.3% in 2015 primarily due to an increase in production volume of cylinder blocks and cylinder heads for which we manufactured the rough cast products ourselves which have lower selling prices and are therefore more attractive to our customers. Utilization rate decreased from 70.3% in 2015 to 60.0% in 2016 primarily due to an increase in production capacity as a result of addition of electric furnace on our KW automatic casting line in September 2015. Utilization rate increased to 64.7% in the six months ended June 30, 2017 primarily due to an increase in production volume of cylinder blocks and cylinder heads for which we manufactured the rough cast products ourselves.

Our Mechanical Processing Lines

As at June 30, 2017, we owned and operated 13 mechanical processing lines (including 11 for cylinder blocks, one for cylinder heads and one for other ancillary cylinder block components).

Mechanical Processing Lines for Cylinder Blocks

As at June 30, 2017, we owned and operated 11 mechanical processing lines to produce cylinder block products. Each of our mechanical processing lines for cylinder blocks includes the following major types of equipment, among others: digital control milling machines, boring machines, vertical machining centers, screw machines, cleaning machines and honing machines.

The following table sets forth the designed annual production capacity, actual production volume and utilization rate of our mechanical processing lines for cylinder blocks during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
Cylinder block production	**2014**	**2015**	**2016**	**2017**
Designed production capacity *(units)*[(1)]	380,391	424,936	698,482	441,569
Actual production volume *(units)*	283,195	334,486	533,811	331,230
Utilization rate *(%)*[(2)]	74.4	78.7	76.4	75.0

Notes:

(1) Designed production capacity represents the sum of the designed production capacity for the entire year or period of our mechanical processing lines used to produce cylinder blocks. Designed production capacity of each mechanical processing line is calculated based on the designed production capacity per six-hour shift, assuming two shifts per day, 25 days per month (which takes into account the normal maintenance and repair downtime required), and no change in product type on each mechanical processing line during the course of production.

(2) Utilization rate is calculated by dividing the actual production volume for the year/period by the designed capacity for the year/period.

Our production capacity for cylinder blocks increased steadily during the Track Record Period primarily due to commencement of production on new mechanical processing lines for cylinder blocks for passenger vehicles, including one mechanical processing line in 2015 and four additional mechanical processing lines in 2016. Utilization rate of our mechanical processing lines for cylinder blocks increased from 74.4% in 2014 to 78.7% in 2015 primarily due to an increase in production volume of cylinder blocks for passenger vehicles as a result of increasing market demand for passenger vehicles in excess of increase in capacity over the periods to account for such demand. Utilization rate decreased from 78.7% in 2015 to 76.4% in 2016, and further slightly decreased to 75.0% in the six months ended June 30, 2017, primarily due to an increase in production capacity as a result of addition of four mechanical processing lines in 2016.

Mechanical Processing Lines for Cylinder Heads

As at June 30, 2017, we owned and operated one mechanical processing line to produce cylinder head products. Our mechanical processing line for cylinder heads includes the following major types of equipment, among others: digital control milling machines, boring machines, drilling machines, vertical machining center, screw machines, cleaning machines and honing machines.

The following table sets forth the designed production capacity, actual production volume and utilization rate of our mechanical processing lines for cylinder heads during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
Cylinder head production	**2014**	**2015**	**2016**	**2017**
Designed production capacity (*units*)(1)	230,400	230,400	164,716	75,789
Actual production volume (*units*)	161,453	180,971	158,698	74,221
Utilization rate (%)(2)	70.1	78.5	96.3	97.9

Notes:

(1) Designed production capacity represents the sum of the designed production capacity for the entire year or period of our mechanical processing lines used to produce cylinder heads. Designed production capacity of each mechanical processing line is calculated based on the designed production capacity per eight-hour shift, assuming two shifts per day, 25 days per month (which takes into account the normal maintenance and repair downtime required), and no change in product type on each mechanical processing line during the course of production.

(2) Utilization rate is calculated by dividing the actual production volume for the year/period by the designed capacity for the year/period.

Our production capacity for cylinder heads remained stable from 2014 to 2015 and decreased from 2015 to 2016 primarily because we integrated two mechanical processing lines for cylinder heads into one line in March 2016, with capacity sufficient to address actual demand. Our production capacity remained stable following such integration. Utilization rate of our mechanical processing lines for cylinder heads increased from 70.1% in 2014 to 78.5% in 2015 primarily due to an increase in production volume as a result of increasing customer demand. Utilization rate increased significantly from 78.5% in 2015 to 96.3% in 2016, and further increased to 97.9% in the six months ended June 30, 2017, primarily due to a decrease in production capacity as we integrated two mechanical processing lines for cylinder heads into one line in March 2016.

Our Expansion Plan

China's automobile and cylinder block markets have both experienced steady growth over the past few years and are expected to continue to grow at a fast pace in the future, according to the Frost & Sullivan Report. In addition, there has been an increasing trend of automobile manufacturers in China seeking to outsource the manufacture of engine spare parts and components to specialized external producers, according to the Frost & Sullivan Report. During the Track Record Period, we have expanded our production capacity in response to such increased demand for our products and change in market trend. We believe our manufacturing facilities are well maintained, in good operating condition and suitable for their current purposes. To meet the diverse needs and requirements of customers, we are required to make capital expenditures from time to time on purchases of machinery and equipment to adjust our existing production lines or establishment of new production lines to increase production capacity for new contracts and/or purchase orders we secure with our customers. Such capital expenditures are necessary due to the highly customized nature of our products, even though the utilization rates for our production lines have not reached their maximum levels.

Subject to market conditions and customer demand, we plan to continue to increase our production capacity. As at June 30, 2017, we had purchased some of the production machinery and equipment needed to adjust two of our existing mechanical processing lines for the manufacture of two new models of cylinder blocks for two existing customers. Our total budgeted capital expenditure for purchases of the production machinery and equipment needed to produce these two new models amount to approximately RMB9.3 million and RMB7.9 million, respectively, of which we had already incurred an aggregate of RMB2.5 million and RMB2.3 million, respectively, as at June 30, 2017. We expect to fund the remaining capital expenditures using cash generated from our operations.

The following table sets forth selective information regarding our planned expansion related to the manufacture of these two new models of cylinder blocks.

Product Type	Planned designed annual production capacity	Target production commencement date	Total budgeted capital expenditure	Actual capital expenditure incurred as at June 30, 2017	Estimated capital expenditure by the end of 2017
	(units)		*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Model A	50,000	November 2017	9,269	2,519	6,750
Model B	30,000	July 2017	7,894	2,259	5,635

In addition to adjusting our existing production lines, we also plan to build new production lines to expand our production capacity. In May 2017, we entered into a contract with a new customer, pursuant to which we were engaged to develop and manufacture a new series of cylinder blocks for such customer. This new customer, an indirect non-wholly owned subsidiary of Customer A, is primarily engaged in production and sales of automobiles, automobile engines and parts and components thereof, as well as technological development, consulting and other technology-related services. Taking into consideration that (i) utilization rate of our existing mechanical processing lines for cylinder blocks was approximately 76.4% for the year ended December 31, 2016, which had already reached the optimal utilization rate for the manufacture of cylinder blocks which, according to the Frost & Sullivan Report, typically ranges from 70% to 80%; (ii) the anticipated market demand for such new series of cylinder blocks would require purchase of specific production machinery and equipment; (iii) our existing mechanical processing lines have all been in use to produce products requested by our existing customers and are not available for frequent adjustment or retooling to produce other products; and (iv) a new mechanical processing line will have the flexibility to be modified to meet the diverse needs of our other customers in response to changing market demand, we have decided to build a new mechanical processing line at our existing production facilities.

The contract we signed with such new customer includes the following principle terms:

- *Price:* Unit selling price will be determined with reference to prevailing market prices depending on different product models and is subject to subsequent adjustment upon negotiation in case of any substantial change in the cost of sales related to our products.

- *Quality standards:* Our products are required to adhere to the technical specifications and quality standards under the technology agreement and warranty agreement to be separately entered into by the parties.

- *Indemnification:* We are obligated to indemnify our customer against loss or damage caused by our failure to complete the development and manufacture of the products within the specified time frame under the contract.

Our contract with this new customer does not currently contain a clause regarding the minimum purchase quantity. However, based on discussions with this new customer and our other existing customers on their expected purchase quantity, as well as our own feasibility study with respect to latest market trend, we expect the designed annual production capacity of the new production line to reach approximately 50,000 units in order to meet the corresponding customer demand. It is further expected that this production line will start mass production around October 2018.

We also plan to purchase additional machinery and equipment needed to set up this new mechanical processing line, including positioning clamps used in horizontal machining centers (臥式加工中心夾具), rail-mounted robots (地軌機器人), screw machines and cleaning machines, among others, which will help further increase automation and functionality of our production process. We estimate that the total capital expenditure for the addition of this new mechanical processing line will be approximately RMB27.6 million (equivalent to approximately HK$31.8 million), all of which we expect to fund using the proceeds from the Global Offering. Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus for further details.

Our expansion plan may result in a number of risks, including but not limited to, over-capacity and significant increases in depreciation and amortization expenses arising from certain of our production machinery and equipment, and our revenue and profit may not increase in proportion to our increased production capacity and expansion. Please refer to the paragraph headed "Risk Factors – The implementation of our expansion plan may lead to higher depreciation expenses, which may adversely affect our profit margin" in this prospectus for further details. However, we believe that we will be able to rationalize our management and resources and maintain or improve our cost structure, liquidity, gross profit margins and competitiveness, and do not expect our expansion plan to have any significant impact on our risk profiles and liquidity. We also believe that our expansion plan will enable us to cope with the expected increase in future demand and increase our revenue and profitability, which in turn will allow us to further strengthen our market position.

Our Smart Manufacturing Process

Together with a group of industry partners we engaged, we designed, constructed and have begun to implement a collaborative smart manufacturing process which, when fully implemented, will allow us to monitor each stage of our production in real time and respond rapidly to any problems or changes in production conditions. According to the Frost & Sullivan Report, we are one of the first few automobile engine spare part manufacturers in China to adopt the intelligent manufacturing initiatives.

Our comprehensive smart manufacturing process is designed to comprise a set of interrelated intelligent manufacturing systems, including:

- *automated processing lines equipped with robotic systems:* Our automated processing lines can operate autonomously and offer high mechanical reliability for our products with higher precision and less reliance on human involvement. For example, the automated processing lines incorporate automatic palletizers that use robotic arm tools to grab rough cast products from a pallet and position them on the lathe machines. This effectively reduces the amount of labor needed and potential human error. The new automated processing lines also have the ability to detect the position of the products being worked on by using embedded visual recognition cameras and can fix any positional error automatically to ensure high precision of the production process. In addition, horizontal machining centers, rather than the traditional vertical machining centers, are installed and used in our automated processing lines due to their ability to simultaneously process multiple facets of a rough cast product and adjust positioning clamps used for different product models without requiring any downtime of the production line;

- *a "smart factory" network platform:* Our "smart factory" network platform is built upon the combination of a distributive numerical control (DNC) system and a machine data collection (MDC) system. The DNC system sets the direct connection between our automated processing lines and other intelligent manufacturing systems and a central computer which remotely controls such multiple programmable systems. The MDC system is a software machine tool that automatically gathers and processes real time manufacturing data from our automated processing lines and transmits such data to our manufacturing execution system which controls and monitors our entire production process;

- *a manufacturing execution system (MES):* Our MES is a control system designed to operate across multiple function areas throughout our manufacturing process, including production planning management, order execution and dispatch, product tracking and tracing, and downtime management. By tracking and analyzing all manufacturing data and information transmitted from the MDC system, our MES will monitor each stage of our production and provide real time feedback to us;

- *an enterprise resource planning (ERP) system:* Our ERP system will collect and integrate the internal and external management information across various aspects of our business operations, including procurement, inventory management, quality control, sales, financial management, distribution, human resources and customer management. In particular, the ERP system will gather data and information on customer purchases and monitor customer preferences, allowing us to assess market trends and make corresponding adjustments to our product portfolios, procurement plans, inventory levels, and sales and marketing strategies on a real time basis. The ERP system is a significant tool to support our daily decision-making process and to improve our overall operational efficiency;

- *a product lifecycle management (PLM) system:* A PLM system will be implemented to manage our product design and research and development process. The PLM system will automate the management of product-related data and information collected from our research and development projects, which will help to reduce the cost in new product development process and the time-to-market of our new products; and

- *a big data analytics platform:* The big data analytics platform will help us identify areas for performance improvement and provide insights on optimization of our operating process by analyzing huge volumes of unstructured data gathered from the supply chain and the manufacturing processes.

As at June 30, 2017, we had completed the design and construction of three automated processing lines for the manufacture of light-weight cylinder block and cylinder head products and the establishment of the "smart factory" network platform as part of the implementation of our smart manufacturing process. These three automated production lines already began mass production in November 2017. Going forward, we plan to construct two additional automated processing lines by the end of 2019 using the smart manufacturing process for the production of light-weight cylinder block and cylinder head products. Please refer to the paragraph headed "– Our Business Strategies – Continue to implement intelligent manufacturing to increase operational efficiency" in this section for further details.

The following table sets forth a breakdown of the additional designed annual production capacity by product type after the commencement of production of the newly-added automated processing lines for each of the years indicated:

	For the year ending December 31,		
Product type	**2017(1)**	**2018**	**2019(2)**
	Production volume (units)		
Cylinder blocks	50,000	–	100,000
Cylinder heads	50,000	–	50,000
Ancillary cylinder block components	50,000	–	–

Notes:

(1) Production volume represents the additional designed annual production capacity for the year ending December 31, 2017 after the commencement of production of the three additional automated processing lines in November 2017.

(2) Production volume represents the additional designed annual production capacity for the year ending December 31, 2019 after the commencement of production of the two additional automated processing lines that we plan to build in 2019.

As a result of the full implementation of our smart manufacturing process and based on the performance of our existing automated processing lines, we estimated that the average production time required for mechanical processing of a cylinder block or cylinder head product will be reduced by at least around 30% and the number of employees required to be assigned to a processing line will be reduced by at least around 35%. We are currently in the process of designing and developing the remaining intelligent manufacturing systems and connecting such systems with each other to create a fully integrated smart manufacturing process across our three existing automated processing lines. We believe the full implementation of our smart manufacturing process will enable us to produce higher quality products, achieve greater productivity and increase our overall operational efficiency.

We estimated that our total budgeted capital expenditure for the implementation of the smart manufacturing process is approximately RMB259.5 million (equivalent to approximately HK$261.3 million), of which RMB106.4 million (equivalent to approximately HK$122.5 million) will be funded using net proceeds from the Global Offering, with the remainder using our internal funds and bank loans. The following table sets forth selective information regarding our plan to implement the smart manufacturing process:

	Target completion date	Total budgeted capital expenditure	Actual capital expenditure incurred as at June 30, 2017	Estimated capital expenditure for the year ending December 31, 2017	Estimated capital expenditure for the year ending December 31, 2018	Estimated capital expenditure for the year ending December 31, 2019
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Purchase of automatic equipment and machinery used for automated processing lines	By the end of 2019	229,594	101,009	4,547	76,590	47,448
Development and installation of intelligent manufacturing systems	By the end of 2019	29,946	–	–	18,642	11,304

SUPPLIERS AND PROCUREMENT

We procure raw materials and key components from third-party suppliers selected by ourselves that are based in the PRC. In addition, certain of our supply arrangements involve the purchase of components and ancillary materials from our customers or suppliers they designate. The raw materials we procure primarily include crude iron, steel scrap, casting sand, coated sand, coal dust and coating. The key components we procure primarily include rough cast cylinder blocks and cylinder heads, reaction discs and steel sheets. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, the total costs of raw materials and key components amounted to approximately RMB188.4 million, RMB202.8 million, RMB322.2 million, RMB145.6 million and RMB137.7 million, respectively, representing 64.4%, 63.1%, 67.6%, 65.7% and 61.0%, respectively, of our total cost of sales during the same periods.

We select suppliers based on a number of factors, including, among others, history of our relationship with them, product quality, supply capacity, research and development capability, price and delivery time. To avoid reliance on any single supplier, our policy is to source each major raw material and key component from at least three different suppliers. In addition, certain customers require us to produce finished products using the rough cast cylinder blocks and cylinder heads from their designated suppliers in order to maintain greater control over the production process and quality of their end products. Furthermore, we also directly procure raw materials, rough cast cylinder blocks or rough cast cylinder heads from such customers and/or their related companies in the same group. Please refer to "– Entities Who Are Our Major Customers and Also Our Major Suppliers" in this prospectus for further details. During the Track Record Period, we did not experience any difficulty in sourcing raw materials or key components or shortage or delay in the supply of raw materials or key components.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the purchases from our five largest suppliers amounted to RMB146.7 million, RMB158.8 million, RMB205.2 million and RMB102.1 million, respectively, representing 66.9%, 64.6%, 56.4% and 55.0%, respectively, of our total purchase, and purchases from our largest supplier amounted to RMB74.3 million, RMB79.0 million, RMB65.1 million and RMB33.4 million, respectively, representing 33.9%, 32.1%, 17.9% and 18.0%, respectively, of our total purchase during the same period.

Our five largest suppliers during the Track Record Period mainly comprised automobile manufacturers and producers of engines, rough cast cylinder blocks and cylinder heads, and ancillary cylinder block components. We had relationship of one to eight years with our five largest suppliers during the Track Record Period. Our Directors have confirmed that we did not rely on any single supplier for raw materials or key components during the Track Record Period. During the Track Record Period, all of our five largest suppliers were Independent Third Parties, and none of our Directors or their close associates or Shareholders who owned more than 5% of our issued share capital had any interest in any of our five largest suppliers.

The following table provides an overview of the key information about our top five suppliers during the Track Record Period:

For the six months ended June 30, 2017

No.	Supplier	Background	Products supplied to our Group	Purchase by our Group	Percentage of our total purchase	Years of relationship with us
				RMB'000	*%*	
1.	Supplier A	Principally engaged in casting, forging, melting, recycling and mechanical processing of nonferrous metal	Rough cast cylinder blocks and cylinder heads	33,392	18.0	Five years
2.	Supplier D(1)	Principally engaged in production and sales of automobiles, automobile engines and parts and components thereof, as well as related after-sales and consulting services	Rough cast cylinder blocks and cylinder heads, spare parts and components	22,260	12.0	Seven years
3.	Supplier B(1)	Principally engaged in production, development and sales of automobile, automobile engines and parts and components thereof, as well as related technical services	Rough cast cylinder blocks and cylinder heads and components	20,631	11.1	Seven years
4.	Supplier C	Principally engaged in production of automobile parts and components and casting molds, as well as production, sales and research and development of mechanical equipment and related technical services	Rough cast cylinder blocks and cylinder heads and components	18,720	10.1	One year
5.	Supplier E	Principally engaged in production, processing and sales of cast iron pipes and general castings; sales of steel, coke, iron ore, iron powder, cement, lime, cobble, stones, lateritic nickel, iron ore powder, road facilities and electro-mechanical equipment; cleaning and selecting of iron powder; and power generation using blast-furnace gas	Cast iron	7,090	3.8	Three years

Note:

(1) Such supplier was also one of our major customers in the six months ended June 30, 2017.

For the year ended December 31, 2016

No.	Supplier	Background	Products supplied to our Group	Purchase by our Group	Percentage of our total purchase	Years of relationship with us
				RMB'000	*%*	
1.	Supplier D[(1)]	Principally engaged in production and sales of automobiles, automobile engines and parts and components thereof, as well as related after-sales and consulting services	Rough cast cylinder blocks and cylinder heads, spare parts and components	65,068	17.9	Seven years
2.	Supplier B[(1)]	Principally engaged in production, development and sales of automobile, automobile engines and parts and components thereof, as well as related technical services	Rough cast cylinder blocks and cylinder heads and components	50,641	13.9	Seven years
3.	Supplier A	Principally engaged in casting, forging, melting, recycling and mechanical processing of nonferrous metal	Rough cast cylinder blocks and cylinder heads	44,406	12.2	Five years
4.	Supplier C	Principally engaged in production of automobile parts and components and casting molds, as well as production, sales and research and development of mechanical equipment and related technical services	Rough cast cylinder blocks and cylinder heads and components	29,359	8.1	One year
5.	Supplier F[(1)]	Principally engaged in production, design, testing, manufacture, assembly, and sales and marketing of diesel engines and parts and components thereof, as well as related after-sales services	Rough cast cylinder blocks and cylinder heads, spare parts and components	15,765	4.3	Four years

Note:

(1) Such supplier was also one of our major customers in the year ended December 31, 2016.

For the year ended December 31, 2015

No.	Supplier	Background	Products supplied to our Group	Purchase by our Group	Percentage of our total purchase	Years of relationship with us
				RMB'000	*%*	
1.	Supplier D[(1)]	Principally engaged in production and sales of automobiles, automobile engines and parts and components thereof, as well as related after-sales and consulting services	Rough cast cylinder blocks and cylinder heads, spare parts and components	79,022	32.1	Seven years
2.	Supplier B[(1)]	Principally engaged in production, development and sales of automobile, automobile engines and parts and components thereof, as well as related technical services	Rough cast cylinder blocks and cylinder heads and components	33,487	13.6	Seven years
3.	Supplier A	Principally engaged in casting, forging, melting, recycling and mechanical processing of nonferrous metal	Rough cast cylinder blocks and cylinder heads	22,947	9.3	Five years
4.	Supplier F[(1)]	Principally engaged in production, design, testing, manufacture, assembly, and sales and marketing of diesel engines and parts and components thereof, as well as related after-sales services	Rough cast cylinder blocks and cylinder heads, spare parts and components	11,946	4.9	Four years
5.	Supplier G	Principally engaged in production and sales of cast iron parts, parts and components of automobiles and diesel engines and machine tools, as well as mechanical processing and cargo import and export	Rough cast cylinder blocks and cylinder heads, spare parts and components	11,444	4.7	Three years

Note:

(1) Such supplier was also one of our major customers in the year ended December 31, 2015.

For the year ended December 31, 2014

No.	Supplier	Background	Products supplied to our Group	Purchase by our Group	Percentage of our total purchase	Years of relationship with us
				RMB'000	*%*	
1.	Supplier D[(1)]	Principally engaged in production and sales of automobiles, automobile engines and parts and components thereof, as well as related after-sales and consulting services	Rough cast cylinder blocks and cylinder heads, spare parts and components	74,339	33.9	Seven years
2.	Supplier B[(1)]	Principally engaged in production, development and sales of automobile, automobile engines and parts and components thereof, as well as related technical services	Rough cast cylinder blocks and cylinder heads, copper board	37,444	17.1	Seven years
3.	Supplier F[(1)]	Principally engaged in production, design, testing, manufacture, assembly, and sales and marketing of diesel engines and parts and components thereof, as well as related after-sales services	Rough cast cylinder blocks and cylinder heads, spare parts and components	17,763	8.1	Four years
4.	Supplier H	Principally engaged in production, processing and sales of automobile parts and components, marine pistons and cylinder liners	Spare parts and components	9,212	4.2	Eight years
5.	Supplier G	Principally engaged in production and sales of cast iron parts, parts and components of automobiles and diesel engines and machine tools, as well as mechanical processing and cargo import and export	Rough cast cylinder blocks and cylinder heads, copper board	7,964	3.6	Three years

Note:

(1) Such supplier was also one of our major customers in the year ended December 31, 2014.

Agreements with Suppliers

We generally enter into legally-binding procurement agreements with our suppliers. We set forth below a summary of the typical key terms of such agreements:

- *Duration:* The agreements generally have a term of one year.

- *Purchase quantity:* Generally a total fixed purchase amount or range is set out in the procurement agreement. Actual periodic purchase amounts will be subject to separate purchase orders provided by our procurement department to the supplier on a monthly basis.

- *Price:* The procurement agreements generally stipulate a fixed price determined based on then-current market conditions, which remains effective during the entire duration of the agreement. However, such price may be subject to subsequent adjustment upon good-faith negotiation and supplementary agreements between the parties in case of any substantial change in market conditions.

- *Delivery:* The agreements set forth a framework under which we will specify the quantities of raw materials or key components to be delivered and the delivery schedule in a monthly purchase orders provided by our procurement department to the supplier. Our suppliers are typically responsible for the delivery and the related costs incurred.

- *Inspection and product returns:* We typically inspect the raw materials or components for compliance with agreed quality standards within three to seven days upon receipt of such raw materials and components. If any quality issue is identified, we will resolve the issue with the supplier within a specified period of time as agreed by the parties. If the cause of the quality issue is attributable to the supplier, the supplier is responsible for arranging the product returns.

- *Credit terms:* We are generally billed by our suppliers on a monthly basis. Our suppliers generally offer us credit terms of up to 90 days.

- *Payment method:* Payments are normally made by us to our suppliers via bank acceptance bills. In case a supplier is also one of our customers, our payment owed to such supplier is normally deducted from amounts owed to us by such supplier for purchase of finished products.

- *Renewal:* The agreements may be renewed by mutual consent.

- *Termination:* The agreements may be terminated by mutual consent or due to force majeure.

Price Fluctuations

We seek to manage fluctuations in prices of raw materials by passing our cost increases to our customers, to the extent possible. The sales prices of our products are generally negotiated annually in connection with each sales agreement. Such prices may be subject to adjustment in certain circumstances, such as any substantial changes in market conditions. Please refer to the paragraph headed "– Our Customers – Sales Agreements" in this section for details. For increases in the price of raw materials which we are unable to pass on to our customers, we attempt to mitigate the adverse impact of such price increases by improving our manufacturing and purchasing efficiency.

We do not currently have any hedging policies with regard to our raw materials and key components, but we evaluate from time to time the costs and benefits of hedging.

DESIGN AND RESEARCH AND DEVELOPMENT

We believe maintaining strong in-house design and research and development capabilities is an essential part of our ability to develop and produce high-quality, new products that meet the specifications of our customers. Our design and research and development activities for customers primarily follow one of two models:

- *Customized design and development:* We offer our customers the ability to manufacture customized cylinder block or cylinder head products based on specifications and technical blueprints provided by such customers. Leveraging years of industry experience and in-depth technical expertise, our engineers help select the most appropriate production equipment and processes and apply advanced manufacturing techniques to develop and manufacture products in line with our customers' specific requirements and practical needs. This customized design and development process usually takes approximately six months before a new cylinder block or cylinder head product can be put into commercial production.

- *Joint design and development:* To the extent our customers do not yet have precise specifications to which they want a product built or a technical blueprint available, our engineers are able to work closely with the customer to design a cylinder block in accordance with a concept or based on a pre-existing model. For example, in case a pre-existing model is provided, we will use 3D scanning to capture the dimension and geometry of such model and create a blueprint with detailed specifications. We will then produce a sample model based on the blueprint and run various performance tests on the model to identify potential areas for improvement and/or to incorporate customers' specific requirements into our design. The joint design and development process typically takes around three years before a new product can be developed and put into commercial production. In all cases, we follow strict protocols to avoid infringement of any third-party intellectual property rights.

During the Track Record Period, our research and development department helped successfully develop and produce eight new models of cylinder blocks and two new models of cylinder heads for our customers. For example, we successfully developed our 393 series of cylinder blocks and cylinder heads together with Jiangxi Isuzu, and improved the performance of our 493 series of cylinder block for Jiangling Motors, among others. We do not own the intellectual property rights of the cylinder block or cylinder head products we developed for our customers.

In recognition of our outstanding achievements, in 2015, we were jointly recognized by Hebei Science and Technology Department* (河北省科學技術廳), Hebei Department of Finance* (河北省財政廳), Hebei State Administration of Taxation* (河北省國家稅務局) and Hebei Local Administration of Taxation* (河北省地方稅務局) as a "High and New Technology Enterprise" (高新技術企業). In addition, we were also jointly recognized by Hebei Development and Reform Commission* (河北省發展改革委員會), Hebei Science and Technology Department* (河北省科學技術廳), Hebei Industry and Information Technology Department* (河北省工業和信息化廳), Hebei Department of Finance* (河北省財政廳), Hebei State Administration of Taxation* (河北省國家稅務局), Hebei Local Administration of Taxation* (河北省地方稅務局) and Shijiazhuang Customs* (石家莊海關) as an "Enterprise Technology Research and Development Center in Hebei Province" (河北省企業技術中心) in 2016.

As at the Latest Practicable Date, our research and development department consisted of 36 dedicated engineering staff. A number of our engineers have been recognized individually for their contributions to the technological advancements achieved in connection with our products. For example, Mr. Zu Bingfeng (祖炳峰), our research and development specialist, was appointed as a member of the committee of experts of China Internal Combustion Engine Industry Association in November 2011. Mr. Fu Guangqi (付光琦), our research and development specialist, won the "Second Prize of Tianjin Science and Technology Progress Award" (天津市科技進步二等獎) for his design of the Series 160 water-cooled diesel engine in September 2002.

As at the Latest Practicable Date, we owned 12 patents in the PRC, including 11 utility model patents and one invention patent, for our self-developed production equipment and processes in relation to the manufacture of cylinder blocks and cylinder heads. Major production equipment we have developed and for which we obtained utility model patents from the SIPO includes a high-efficiency cleaning machine that can thoroughly wash the inner walls of cylinder blocks and cylinder heads, a highly precise air-leakage detector used to carry out leak testing of cylinder heads, and a positioning clamp to guarantee accurate cylinder block boring and drilling. We also recently obtained an invention patent from SIPO in July 2017 for a more environmentally-friendly lost foam casting process we developed to produce rough cast cylinder blocks without involving the core sand casting steps.

Apart from our in-house research and development capabilities, we have also collaborated with Tianjin Internal Combustion Engine Research Institute since July 2014 to exchange technological ideas and develop new manufacturing techniques to meet the growing market demand for highly-efficient and fuel-flexible engine products. In addition, in July 2016, we entered into a cooperative arrangement with Hebei University of Technology in connection with the research and development of manufacturing technologies and equipment for compacted graphite cast iron cylinder blocks. Going forward, we plan to continue to extend our cooperation with other Chinese universities and research institutions to further strengthen our research and development capabilities. Please refer to the paragraph headed "– Our Business Strategies – Further enhance our product design and research and development capabilities" in this section for details.

We generally bear the research and development costs related to any new products developed for our customers. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we invested RMB15.5 million, RMB19.7 million, RMB20.8 million and RMB9.5 million, respectively, into research and development. Our research and development expenses mainly consist of remuneration of our engineers, trial production cost of new products at our production facilities, costs of raw materials we used in our laboratory testing and expenditures on purchasing new equipment or improving existing equipment.

Going forward, we plan to focus our research and development efforts on continuing to improve our production technologies and to develop new products such as cylinder blocks used for new, energy-efficient engines.

OUR CUSTOMERS

Our customers are primarily large automobile manufacturers and engine manufacturers located in the PRC. In the year ended December 31, 2016, we sold our products to over 100 customers, and 64.9% of our revenue for the year came from customers with whom we had maintained relationships of more than five years as at December 31, 2016. Our customers include many of the top automobile manufacturers in China, including Jiangling Motors, Beiqi Foton Motor, Jiangxi Isuzu, JAC Motors and Great Wall Motors, among others. For the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the top 10 domestic automobile manufacturers in China accounted for a total of 86.7%, 86.9%, 86.4% and 85.6%, respectively, of automobile sales in China in terms of sales volume in the respective year/period, according to the Frost & Sullivan Report. In the same years, our customers included four, six, six and five, respectively, of the top 10 automobile manufacturers in China in the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, which together accounted for approximately 13.4%, 24.5%, 41.4% and 24.0%, respectively, of our total revenue in the respective year/period.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, sales to our five largest customers amounted to RMB323.4 million, RMB336.5 million, RMB444.5 million and RMB202.0 million, respectively, representing 74.8%, 70.0%, 66.4% and 63.1%, respectively, of our total revenue, and sales to our largest customer amounted to RMB200.2 million, RMB180.8 million, RMB137.0 million and RMB51.9 million, respectively, representing 46.3%, 37.6%, 20.5% and 16.2%, respectively, of our total revenue. During the Track Record Period, we had relationships of three to eight years with our five largest customers. We are usually not the sole supplier for our customers with respect to the products we sold. During the Track Record Period, all of our five largest customers were Independent Third Parties and none of our Directors or their close associates or Shareholders who, to the best knowledge, information and belief of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers.

The following table provides an overview of the key information about our top five customers during the Track Record Period:

For the six months ended June 30, 2017

No.	Customer	Background	Scale of Operations	Products provided by our Group	Revenue derived from the customer	Percentage of our revenue	Years of relationship with us
					RMB'000	*%*	
1.	Customer B	Principally engaged in production and sales of automobiles and automotive parts, automobile import and export, automobile finance, car recycling dismantling, automobile engine remanufacturing, engineering machinery, logistics, real estate	Revenue in 2016: approximately RMB65 billion	Cylinder blocks, cylinder heads and ancillary cylinder block components	51,881	16.2	Six years
2.	Jiangling Motors[1]	Jiangling Motors is a company listed on the Shenzhen Stock Exchange and principally engaged in production and sales of automobiles, automobile engines and parts and components thereof, as well as related after-sales and consulting services	Revenue in 2016: approximately RMB27 billion	Cylinder blocks and cylinder heads	51,867	16.2	Seven years
3.	Customer A	Customer A is a holding company of two listed companies (including one listed on the Stock Exchange and one listed on the Shanghai Stock Exchange). Customer A is principally engaged in research and development and manufacturing of automobiles, general aviation, manufacturing of automobile spare parts as well as related services	Revenue in 2016: approximately RMB406 billion	Cylinder blocks, cylinder heads and ancillary cylinder block components	39,625	12.4	Five years
4.	Guangxi Yuchai Power Co., Ltd.* (廣西玉柴動力股份有限公司) ("Guangxi Yuchai")	Principally engaged in production, processing and sales of diesel engines, generator sets, agricultural machinery and mechanical parts	Registered capital: RMB30 million	Cylinder blocks and ancillary cylinder block components	31,722	9.9	Eight years
5.	Hunan Changfeng Power Co., Ltd.* (湖南長豐動力有限責任公司)	Principally engaged in research and development, production and sales of automobile engines, transmission systems and parts and components, as well as technical consulting and services for related products	Registered capital: RMB510 million	Cylinder blocks	26,864	8.4	Two years

Note:

(1) Such customer was also one of our major suppliers in the six months ended June 30, 2017.

For the year ended December 31, 2016

No.	Customer	Background	Scale of Operations	Products provided by our Group	Revenue derived from the customer	Percentage of our revenue	Years of relationship with us
					RMB'000	*%*	
1.	Jiangling Motors[1]	Jiangling Motors is a company listed on the Shenzhen Stock Exchange and principally engaged in production and sales of automobiles, automobile engines and parts and components thereof, as well as related after-sales and consulting services	Revenue in 2016: approximately RMB27 billion	Cylinder blocks and cylinder heads	136,981	20.5	Seven years
2.	Customer A	Customer A is a holding company of two listed companies (including one listed on the Stock Exchange and one listed on the Shanghai Stock Exchange). Customer A is principally engaged in research and development and manufacturing of automobiles, general aviation, manufacturing of automobile spare parts as well as related services	Revenue in 2016: approximately RMB406 billion	Cylinder blocks, cylinder heads and ancillary cylinder block components	90,498	13.5	Five years
3.	Customer B	Principally engaged in production and sales of automobiles and automotive parts, automobile import and export, automobile finance, car recycling dismantling, automobile engine remanufacturing, engineering machinery, logistics, real estate	Revenue in 2016: approximately RMB65 billion	Cylinder blocks, cylinder heads and ancillary cylinder block components	88,808	13.3	Six years
4.	Customer F[1]	Customer F is a company listed on the Shanghai Stock Exchange and principally engaged in production, development and sales of automobile, automobile engines and parts and components thereof, as well as related technical services	Revenue in 2016: approximately RMB52 billion	Cylinder blocks	67,670	10.1	Seven years
5.	Mianyang Xinchen Power Machinery Co., Ltd., Shenyang Branch* (綿陽新晨動力機械有限公司瀋陽分公司) ("Xinchen Power")	The holding company of Xinchen Power is a company listed on the Stock Exchange. Xinchen Power is principally engaged in design, production and sales of combustion engines and power machinery, as well as related after-sales services	Revenue in 2016: approximately RMB3 billion	Cylinder blocks	60,542	9.0	Three years

Note:

(1) Such customer was also one of our major suppliers in the year ended December 31, 2016.

For the year ended December 31, 2015

No.	Customer	Background	Scale of Operations	Products provided by our Group	Revenue derived from the customer	Percentage of our revenue	Years of relationship with us
					RMB'000	*%*	
1.	Jiangling Motors[1]	Jiangling Motors is a company listed on the Shenzhen Stock Exchange and principally engaged in production and sales of automobiles, automobile engines and parts and components thereof, as well as related after-sales and consulting services	Revenue in 2016: approximately RMB27 billion	Cylinder blocks and cylinder heads	180,782	37.6	Seven years
2.	Customer B	Principally engaged in production and sales of automobiles and automotive parts, automobile import and export, automobile finance, car recycling dismantling, automobile engine remanufacturing, engineering machinery, logistics, real estate	Revenue in 2016: approximately RMB65 billion	Cylinder blocks, cylinder heads and ancillary cylinder block components	61,204	12.7	Six years
3.	Customer A	Customer A is a holding company of two listed companies (including one listed on the Stock Exchange and one listed on the Shanghai Stock Exchange). Customer A is principally engaged in research and development and manufacturing of automobiles, general aviation, manufacturing of automobile spare parts as well as related services	Revenue in 2016: approximately RMB406 billion	Cylinder blocks, cylinder heads and ancillary cylinder block components	35,906	7.5	Five years
4.	Guangxi Yuchai	Principally engaged in production, processing and sales of diesel engines, generator sets, agricultural machinery and mechanical parts	Registered capital: RMB30 million	Cylinder blocks and ancillary cylinder block components	31,748	6.6	Eight years
5.	Great Wall Motors	Great Wall Motors is a company listed on both the Stock Exchange and the Shanghai Stock Exchange and principally engaged in production, design, research and development, consignment processing and sales of automobiles and parts and components thereof, as well as related after-sales, technical and consulting services	Revenue in 2016: approximately RMB10 billion	Ancillary cylinder block components	26,852	5.6	Eight years

Note:

(1) Such customer was also one of our major suppliers in the year ended December 31, 2015.

For the year ended December 31, 2014

No.	Customer	Background	Scale of Operations	Products provided by our Group	Revenue derived from the customer	Percentage of our revenue	Years of relationship with us
					RMB'000	*%*	
1.	Jiangling Motors[1]	Jiangling Motors is a company listed on the Shenzhen Stock Exchange and principally engaged in production and sales of automobiles, automobile engines and parts and components thereof, as well as related after-sales and consulting services	Revenue in 2016: approximately RMB27 billion	Cylinder blocks and cylinder heads	200,167	46.3	Seven years
2.	Customer B	Principally engaged in production and sales of automobiles and automotive parts, automobile import and export, automobile finance, car recycling dismantling, automobile engine remanufacturing, engineering machinery, logistics, real estate	Revenue in 2016: approximately RMB65 billion	Cylinder blocks, cylinder heads and ancillary cylinder block components	41,887	9.7	Six years
3.	Changchun FAW Sihuan Engine Manufacturing Co., Ltd.* (長春一汽四環發動機製造有限公司)	Principally engaged in research and development, production and sales of automobile engines and parts and components thereof, as well as related technical services	Registered capital: RMB40 million	Cylinder blocks and cylinder heads	35,412	8.2	Eight years
4.	Anhui Jianghuai Navistar Diesel Engine Co., Ltd.* (安徽江淮納威司達柴油發動機有限公司)[1]	Principally engaged in production, design, testing, manufacture, assembly, and sales and marketing of diesel engines and parts and components thereof, as well as related after-sales services	Revenue in 2016: approximately RMB2 billion	Cylinder blocks	24,623	5.7	Four years
5.	Guangxi Yuchai	Principally engaged in production, processing and sales of diesel engines, generator sets, agricultural machinery and mechanical parts	Registered capital: RMB30 million	Cylinder blocks and ancillary cylinder block components	21,267	4.9	Eight years

Note:

(1) Such customer was also one of our major suppliers in the year ended December 31, 2014.

Agreements with Customers

Our relationship with our customers is primarily governed by agreements we enter into with our customers, primarily including legally-binding sales agreements and warranty agreements.

Sales Agreements

The sales agreements we enter into with our customers typically include the following principal terms:

- *Duration:* The agreements generally have a term of one year.

- *Purchase quantity:* Generally a total fixed purchase amount or range is set out in the sales agreement. Actual purchase amount will be subject to separate purchase orders provided to us by our customers on a monthly basis.

- *Price:* The sales agreement generally stipulates a fixed price determined based on agreement between the parties and market conditions, which remains effective during the entire duration of the agreement. However, such price may be subject to subsequent adjustment upon good-faith negotiation and supplementary agreement between the parties in case of any substantial change in market conditions.

- *Delivery:* We are normally responsible for the delivery of our products to a designated place as specified by our customers.

- *Inspection and product returns:* Our customers are typically required to inspect our products for compliance with quality standards as agreed with us within five days upon receipt of the products. If any product defect or instance of non-compliance with agreed quality standards is identified during the inspection, our customers may reject the products or ask for product return or exchange.

- *Credit terms:* We generally issue invoices to our customers for the products sold on a monthly basis and offer them credit terms of 30 to 90 days upon receipt of the invoices. In the case of certain customers with whom we have established long-standing relationships, we offer credit terms of up to 120 days.

- *Payment method:* Payments are normally made by our customers via bank transfer or bank acceptance bills. In case a customer is also one of our suppliers, our payment is typically made after such customer deducts the amounts we owed to it for purchase of rough cast products.

- *Renewal:* The agreements may be renewed by mutual consent.

- *Termination:* Termination terms may vary, but generally include the following: (i) termination by either party upon a one-month prior notice to the other party; or (ii) termination by our customer in case (A) we fail to perform our obligations under the agreement due to late delivery and/or product defects (except in the cases of force majeure), or (B) we go into bankruptcy or liquidation.

Warranty Agreements

The warranty agreements we entered into with our customers typically include the following principal terms:

- *Quality standards:* Our products are typically required to adhere to the quality standards under various nationally and internationally recognized quality management systems, including ISO/TS16949 and ISO14001, and the internal quality standards of our customers.

- *Warranty period:* In most cases, the warranty period provided by us for our cylinder blocks, cylinder heads or other related components is the same as the warranty period provided by our customers to the end users of the vehicles they sell, which typically ranges from one to three years from the date of customer acceptance. In case our products are used as parts or components of the vehicles sold by our customers to such end users, the warranty period will be the longer of (i) 18 to 24 months upon the delivery of the vehicles to the end users, and (ii) the remainder of the warranty period of our products provided by us to our customers (which normally covers a period of 24 months to five years upon delivery of the products).

- *Warranty:* The warranty offered by us is limited to product defects or failures that do not conform to the specifications of the products or the quality standards as agreed with the customers.

- *Indemnification:* We are normally obligated to indemnify our customers against losses and expenses incurred due to product defects caused by us.

ENTITIES WHO ARE OUR MAJOR CUSTOMERS AND ALSO OUR MAJOR SUPPLIERS

During the Track Record Period, to the best knowledge and belief of our Directors, three of our major customers and/or their related companies in the same group were also our major suppliers. These customers include an automobile manufacturer and two automobile engine manufacturers. We purchased rough cast cylinder blocks and/or cylinder heads from these customers for use in producing finished cylinder block and cylinder head products. The determination of whether to source such rough cast products directly from customers or from third-party suppliers or to produce such rough cast products ourselves is made through negotiations with customers on an individual basis, taking into account a number of considerations, including product specifications and features, our production capacity, our need to diversify sources of supply, the selling prices of our products and the nature of our relationships with individual customers. According to the Frost & Sullivan Report, it is not uncommon for cylinder block and cylinder head manufacturers to source the rough cast products from a customer and then sell the finished goods to the same customer.

We set forth below a breakdown of the revenue, purchase of raw materials, gross profit and gross profit margin from our three major customers who were also our major suppliers during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2014	**2015**	**2016**	**2017**
Revenue *(RMB'000)*	224,806	220,319	226,907	75,889
As a percentage of our total revenue *(%)*	52.0%	45.8%	33.9%	23.7%
Purchase of raw materials *(RMB'000)*	129,448	124,455	131,474	47,026
As a percentage of our total purchase of raw materials *(%)*	59.1%	50.6%	36.2%	25.3%
Gross profit *(RMB'000)*	74,957	69,643	59,378	20,210
Gross profit margin *(%)*	33.3%	31.6%	26.2%	26.6%

To the best knowledge and belief of our Directors, these customers and their ultimate beneficial owners are all Independent Third Parties.

The sales to and purchases from these customers were neither inter-connected nor inter-conditional with each other. We generally granted a credit period of 30 to 60 days to these customers, which was in line with the credit period we granted to our other customers. The terms of transactions with these customers are in line with the market and similar to those transactions with our other customers and suppliers, except that our payment for purchase of raw materials from such customers are normally deducted from our receivables from such customers.

SALES AND MARKETING

During the Track Record Period and as at the Latest Practicable Date, our products were marketed and sold exclusively in the PRC. As at the Latest Practicable Date, our sales department had 27 personnel. Our sales and marketing department is mainly responsible for formulating our sales and marketing strategies, preparing market analysis reports and business proposals, building our brand image, identifying and developing potential customers and servicing existing customers.

Pricing Policy

The price of our products is primarily based on negotiations with our customers, taking into consideration market conditions, product specifications, supply and demand of comparable products, size of the purchase orders, and source of rough cast products, such as whether the rough cast cylinder blocks or cylinder heads used to manufacture finished products are self-made or sourced from outside suppliers.

Marketing and Promotion

Our customers are primarily major automobile manufacturers and engine producers located in the PRC. Based on our reputation in the market, some customers approach us directly to arrange for us to manufacture products for them to purchase. To attract new customers and maintain existing customers, our dedicated sales and marketing staff also approach new and existing clients directly from time to time to promote and/or secure sales of our products. Based on our experience, the key factors in a client's determination to purchase products from us include our selling price relative to the quality of the product, research and development capabilities, production capacity and quality of after-sales services.

To promote and increase our products' exposure in the market and enhance our brand recognition, we also participate in seminars, tradeshows and exhibitions in the PRC, such as the China International Metallurgical Industry Expo (中國國際冶金工業展覽會), China International Machine Tool & Tools Exhibition (中國國際機床工具展覽會) and China (Shanghai) International Foundry Exhibition (中國(上海)國際鑄造展覽會). In addition, we are involved in industry associations, which we believe provides us with additional channels to reach out to potential customers while continuing to strengthen our relationships with existing customers.

Sales Return Policy and Warranty

We generally maintain a product return and warranty policy. Specific terms of product return and warranty are based on the agreements with, or purchase orders from, our customers. Please refer to the paragraph headed "– Our Customers – Agreements with Customers – Warranty Agreements" in this section for details of product returns and warranty arrangements with our customers. Our after-sale services are provided to customers after the delivery of the products during the warranty period applicable to each product.

During the Track Record Period, we did not receive any material product returns or make any large-scale product recalls due to any quality defects.

During the Track Record Period, we made provisions for the warranties we provide to our customers in relation to the sales of our products, taking into account our past claim experience in recent years. As at December 31, 2014, 2015, 2016 and June 30, 2017, the balance of warrant provisions we made amounted to RMB3.6 million, RMB4.2 million, RMB4.9 million and RMB5.1 million, respectively. Please refer to the paragraph headed "Financial Information – Discussion of Certain Items of Combined Statements of Financial Position – Provision for warranties" in this prospectus for details. We did not have any material warranty claims on our products during the Track Record Period, which would have a material and adverse effect on our business and results of operations.

INVENTORY MANAGEMENT

Our inventory primarily includes raw materials and key components, work-in-progress and finished products. We strive to maintain optimal inventory levels to meet customer demand while managing our working capital requirements. We generally keep raw material inventory at levels that we believe are sufficient for about two months of production.

We monitor our inventory levels actively and regularly through our ERP system. We also conduct physical stocktaking from time to time to ensure the accuracy of our inventory records. This information will be reviewed by our senior management to ensure that we are adequately funded and appropriately stocked with inventory.

As at December 31, 2014, 2015 and 2016 and June 30, 2017, our inventory amounted to RMB70.3 million, RMB98.3 million, RMB116.2 million and RMB148.7 million, respectively. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our inventory turnover days were 81 days, 96 days, 82 days and 106 days, respectively.

We make provisions for obsolete and slow-moving inventories (especially those aged over one year) that are no longer suitable for use in production or sale. A number of factors, including historical and forecast consumption of raw materials, as well as marketability of the products, are taken into account when considering whether to make appropriate provision. We recorded inventory provision in the amount of RMB1.6 million, RMB2.2 million, RMB2.4 million and RMB1.8 million, respectively, as at December 31, 2014, 2015, 2016 and June 30, 2017. Please refer to the paragraph headed "Financial Information – Discussion of Certain Items of Combined Statements of Financial Position – Inventories" in this prospectus for details.

QUALITY CONTROL

We are committed to maintaining a high quality of our products by performing a variety of quality control, inspection and testing procedures throughout our production process and identify defects and irregularities throughout all stages of production process. We have compiled and implemented a set of detailed quality control protocols that are strictly followed by each of our departments. Such protocols set out a series of standardized procedures and measures to monitor and control each stage of our operating process, including procurement of raw materials and key components, production and inspection of finished products, to ensure that our products are of consistently high quality.

We have also established a quality control department consisting of 49 dedicated quality control inspectors as at the Latest Practicable Date. Our quality control department oversees our entire operating process and devotes significant resources to maintaining and improving the quality of our products. The department hosts regular meetings to discuss quality issues arising from the production process and to formulate solutions on potential improvement.

Set forth below is a summary of our primary quality control measures:

- *Raw materials and key components:* Our quality control department conducts sample testing on raw materials and key components, in particular the rough cast products procured from customers or third-party suppliers, to ensure such raw materials and key components meet the requisite quality standards. We may also carry out on-site evaluations at the premises of our main suppliers and assess their production facilities to confirm the source of supply of the raw materials and key components from time to time.

- *Production process:* Our quality control inspectors will closely monitor the production process of each of our products to ensure strict compliance with our standard operating procedures. Throughout our entire production process, we also conduct quality control testing at each key production stage. In addition, we have installed and operated a number of advanced inspection equipment, including three cylinder bore detectors, 51 pneumatic measuring instruments, 13 triple-axis high-precision coordinate measuring machine, a Taylor Hobson cylindricity measuring instrument and a Leica particle analyzer, to ensure that our products are produced precisely to meet our customers' specific design and manufacturing requirements.

- *Finished products:* We inspect sample batches of our products and the packaging of each product before delivery takes place. Products with defects or any quality issues will not be delivered to customers. Our quality control inspectors will help identify the causes for product defects and follow up closely to confirm any problems with the production process are addressed. We label each of our products with a unique serial number to ensure traceability of our products. For ancillary cylinder block components which have been processed by the third-party service providers beginning in early 2017, we conduct sample checks to ensure that such products meet the requisite quality standards.

As a result of our stringent quality control system, our production facilities have obtained ISO/TS 16949 certification in 2012, which was subsequently renewed in 2015 and will be effective for three years. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material losses from product liability.

INFORMATION SYSTEMS

We believe that a well-implemented information system is important in improving our efficiency in administering and operating our business. We have successfully implemented a comprehensive ERP system to support various aspects of our business operations, including procurement, production, sales, inventory, delivery, costs management, accounting functions and human resources management.

Our ERP system provides an integrated platform that (i) controls the inventory of raw materials, (ii) gathers information on customer purchases, (iii) tracks each of our products from production to storage in our warehouse and to its eventual sales, (iv) monitors collection of payments from customers, and (v) provides support for a variety of human resources tasks, including recruitment, payroll and benefits, training and employee file management.

We believe our ERP system has helped us improve our operational efficiency and ensure effective coordination among various aspects of our businesses. In connection with our intelligent manufacturing initiatives, we have engaged a corporate partner to upgrade our existing ERP system in order to integrate and connect with the other intelligent manufacturing systems to be used in our smart manufacturing process. Please refer to the paragraph headed "– Production and Production Facilities – Our Smart Manufacturing Process" in this section for details.

AWARDS, ACCREDITATIONS AND MEMBERSHIPS

We have received a number of awards and accreditations since our establishment in recognition of the technological advancement we achieved with respect to our products. The following table sets forth certain of the awards and accreditations we have received:

Year	Award/Accreditation	Awarding Organization
2016	Enterprise Technology Research and Development Center in Hebei Province* (河北省企業技術中心)	Hebei Development and Reform Commission * (河北省發展改革委員會), Hebei Science and Technology Department* (河北省科學技術廳), Hebei Industry and Information Technology Department* (河北省工業和信息化廳), Hebei Department of Finance* (河北省財政廳), Hebei State Administration of Taxation* (河北省國家稅務局), Hebei Local Administration of Taxation* (河北省地方稅務局) and Shijiazhuang Customs* (石家莊海關)
2014-2015	Winner of the National "Ankang Cup"* (全國"安康杯"競賽優勝單位)	All-China Federation of Trade Unions* (中華全國總工會) and State Administration of Work Safety* (國家安全生產監督管理總局)
2013	Famous Brand Enterprise in Hebei Province* (河北省著名商標企業)	Hebei Administration for Industry and Commerce* (河北省工商行政管理局)
2013	Leading Enterprise in Automobile Spare Parts Manufacturing Industry in Hebei Province* (河北汽車配件製造業排頭兵企業)	Hebei Top 100 Enterprise Ranking Committee
2013	Leading Enterprise of Industrial Clusters in Hebei Province* (河北省產業集群龍頭企業)	Hebei Small and Medium-sized Enterprise Bureau* (河北省中小企業局)
2013	Brand-name Products of Small and Medium-sized Enterprises in Hebei Province* (河北省中小企業名牌產品)	Evaluation Committee for Brand-name Products of Small and Medium-sized Enterprises in Hebei Province* (河北省中小企業名牌審定委員會) and Hebei Small and Medium-sized Enterprise Bureau* (河北省中小企業局)

Our Group and management have also been members of certain professional associations for engine-related products. The following table sets forth some of the seats that we currently hold:

Seat or Membership	Organization	Entity/Personnel
Vice President	Industry and Commerce Union in Hengshui City* (衡水市工商業聯合會)	Mr. LZ Meng
Member	China Foundry Association* (中國鑄造協會)	Hebei Ruifeng
Member	Tianjin Foundry Association* (天津市鑄造協會)	Hebei Ruifeng

COMPETITION

We are a specialized manufacturer and supplier of cylinder blocks and, to a lesser extent, cylinder heads and other related components, to major automobile manufacturers and engine producers in China. We face competition from domestic manufacturers as well as overseas manufacturers of similar products for sale to customers in China. The market concentration for cylinder blocks produced by specialized cylinder block manufacturers is high as the top 10 specialized cylinder block producers in China accounted for approximately 45.7% of the total sales revenue in China in 2016, according to the Frost & Sullivan Report. Based on our operating experience, we believe the principal competitive factors in our relevant markets include:

- production scale, including production and processing capacities;
- quality of our products;
- research and development capabilities;
- selling price;
- production cost;
- customer satisfaction and reputation; and
- geographical location.

There are certain major barriers of entry to the cylinder block industry, including substantial capital investment required to set up the operations, ability to retain highly qualified technical experts and established relationships with customers. Please refer to the paragraph headed "Industry Overview – China's Automobile Engine Spare Part Industry" in this prospectus for details of the competition we face, including the key players in the cylinder block industry in China. In addition, our business also faces a number of risks relating to market competition. Please refer to the paragraph headed "Risk Factors – Risks Relating to Our Business and Industry – The markets in which we operate are highly competitive. If we are unable to compete effectively for customers and customer engagement, our business and operating results may be materially and adversely affected" in this prospectus for further details.

INSURANCE

We maintain automobile insurance and comprehensive property insurance for our production facilities.

Consistent with what we believe to be customary practice in the PRC, we do not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims in the PRC. Such insurance is not mandatory under the laws and regulations of the PRC. Our Directors believe that our insurance coverage is generally consistent with industry practice and provides adequate protection for our assets and operations. Nevertheless, we may be exposed to other claims or liabilities not covered by our insurance. Please refer to the paragraph headed "Risk Factors – Risks Relating to Our Business and Industry – We maintain limited insurance coverage" in this prospectus for further details. During the Track Record Period, we had not been subject to any insurance claims which were material to us.

EMPLOYEES

The following table sets forth the total number of employees by function as at the Latest Practicable Date:

Function	Number of Employees	Percentage of Total (%)
Executive directors and senior management	10	1.2
Research and development	36	4.1
Production	653	75.2
Procurement	14	1.6
Sales and marketing	27	3.1
Quality control	49	5.6
Finance	8	0.9
Administration and logistics	72	8.3
Total	869	100.0

We enter into employment contracts with our employees in accordance with PRC labor law. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any penalties in relation to any violation of PRC labor laws or regulations.

In addition to full-time employees, starting in January 2017, we also made use of secondees to provide janitorial, canteen, cleaning and certain other non-essential support services. The secondees were dispatched to us by a third-party human resources agency and did not have direct employment relationship with us. The human resources agency is responsible for the remuneration and welfare contribution for such secondees.

We mainly recruit our employees based on the relevant requirements of the position, the experience and qualification of the employee and the prevailing market conditions at the relevant time. As at the Latest Practicable Date, we had not experienced any significant problems with our employees or disruption to our operation due to labor disputes, nor had we experienced any difficulties in the recruitment and retention of experienced staff.

We believe our success depends on our employees' provision of consistent, high-quality and reliable services. In order to attract, retain and develop the knowledge, skill level and quality of our employees, we place a strong emphasis on training our employees. Prior to commencement of work, new employees must attend mandatory pre-employment training sessions. In addition, we also invited professional trainers from third-party research institutions to provide our employees regular training on professional knowledge, technical skills and production safety.

The remuneration of our employees includes basic salary and performance-based monthly and annual bonuses. We make contributions for our employees in relation to the mandatory social security funds, including pension, work-related injury insurance, maternity insurance, medical and unemployment insurance in accordance with applicable laws and regulations of the PRC. During the Track Record Period, we failed to make full contributions to the social insurance scheme for some of our employees. We also failed to register our housing provident fund account and did not make full contributions to the housing provident fund for some of our employees as required by PRC laws and regulations. Please refer to the paragraph headed "– Legal Proceedings and Compliance" in this section for details of such non-compliance incidents.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had 12 patents in the PRC, including 11 utility model patents and one invention patent, two registered PRC trademarks and two registered Hong Kong trademarks. We are also the registered owner of one domain name. Please refer to the paragraph headed "Further Details about Our Company – 11. Intellectual property rights of our Group" in Appendix IV to this prospectus for further details.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims which had material impact on our Group. Please refer to the paragraph headed "Risk Factors – Risks Relating to Our Business and Industry – We may be subject to intellectual property infringement claims or other allegations by third parties, which may materially and adversely affect our business, operating results and prospects" in this prospectus for further details.

LICENSES AND PERMITS

Our PRC Legal Advisor has confirmed that our Company and its PRC subsidiaries have obtained all licenses, permits, approvals and certificates necessary to conduct their operations in all material respects.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to various production safety rules and regulations in the PRC. For further details, please refer to the section headed "Regulatory Overview" in this prospectus.

We have implemented various safety guidelines and operating procedures for our production process to ensure safe operation of our production facilities and to prevent injuries. We conduct regular and thorough worksite inspection to eliminate potential hazards in our work environment. We also provide mandatory safety training to all new employees prior to commencement of work. Furthermore, we provide our employees with occupational safety education and training to enhance their awareness of safety issues from time to time.

We have not experienced any material accident in our production nor suffered any claims for personal or property damages during the Track Record Period, and our PRC Legal Advisor has confirmed that we are in compliance in all material respects with applicable laws relating to labor safety matters in the PRC.

ENVIRONMENTAL MATTERS

Our operations are subject to the current environmental laws, rules and regulations promulgated by the PRC government, a summary of which is set out in the section headed "Regulatory Overview" in this prospectus.

Although our production process does not cause any material adverse impact to the environment, we are committed to minimizing any potential adverse impact on the environment which may be resulted from our business operations. We have put in place various dust cleansing and collection devices at all key stages of production operations to minimize dust generation. We have also developed a cutting fluid disposal device which recycles and reuses the hazardous cutting fluid generated during our production process to ensure clean disposal of such industrial liquid waste. In addition, we have adopted a self-developed lost foam casting process which is considered more environmentally-friendly and cost-effective to produce a portion of our rough cast cylinder block products. We obtained two utility model patents from the SIPO for the aforementioned cutting fluid disposal device and the lost foam casting process in October 2016 and July 2017, respectively. We believe these measures effectively reduce the negative environmental impact of the hazardous materials we produce while satisfying our sustainable production needs.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed "– Legal Proceedings and Compliance" in this section, we had not received any notice or warning in relation to material pollution in respect of our production and facilities or material non-compliance with the applicable environmental laws, rules and regulations. Non-compliance with any environmental laws, rules and regulations may, depending on the seriousness of the violation, result in an order for rectification from the authorities, penalties or an order for cessation of production. There is no assurance that the PRC government authorities will not impose additional environmental protection requirements, which might disrupt our manufacturing process or require us to incur additional expenditure to comply with such additional requirements. During the Track Record Period, we have not been subject to any fines, penalties or other legal actions by PRC government authorities resulting from any material non-compliance with any environmental protection laws in the PRC and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any PRC environmental government agencies in respect thereof. Based on our internal records, our cost for compliance with applicable environmental rules and regulations for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 was approximately RMB57,000, RMB0.2 million, RMB0.2 million and RMB90,000, respectively.

RISK MANAGEMENT

We have put in place a set of internal control and risk management protocols to address various operational, financial, legal and market risks identified in relation to our operations, including but not limited to procurement and sales management, inventory management, research and development management, credit risk, liquidity risk, foreign exchange risk, human resources risk management, and various other financial and operational control and monitoring procedures. Please refer to the section headed "Risk Factors" and the paragraph headed "Financial Information – Quantitative and Qualitative Disclosures about Market Risk" in this prospectus for disclosures on the various risks we face. Our risk management protocols and policies set forth procedures to identify, categorize, analyze and mitigate various risks and the relevant reporting hierarchy of risks identified in our operations. Our Board of Directors has the general power to manage our operations and the overall risks of our Company and is responsible for considering, reviewing and approving any significant business decision involving material risk exposures. After due consideration, our Directors are of the view that our current risk management measures are adequate and effective.

PROPERTIES

As at the Latest Practicable Date, all of our owned properties were located at (i) Shenzhou City, Hengshui, Hebei Province; and (ii) Nanchang City, Jiangxi Province, the PRC. Please refer to the Property Valuation Report in Appendix III to this prospectus for further details.

Owned Properties

Land

As at the Latest Practicable Date, we owned land use rights for 17 parcels of land in Shenzhou with an aggregate site area of approximately 444,050.82 sq.m. The following table sets forth a summary of the land use rights we owned:

No.	Address and description of location	Area *(sq.m)* *(approximate)*	Use	Expiry Date	Details of encumbrances, liens, pledges and mortgages
1.	深州市泰山東路北 North of Taishan East Road, Shenzhou	25,062.00	Industrial use	June 14, 2057	Mortgaged to bank
2.	深州市泰山東路北 North of Taishan East Road, Shenzhou	17,849.00	Industrial use	June 14, 2057	Mortgaged to bank
3.	深州市泰山東路北 North of Taishan East Road, Shenzhou	19,625.00	Industrial use	June 14, 2057	Mortgaged to bank
4.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	11,056.16	Industrial use	September 25, 2060	Mortgaged to bank
5.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	30,296.64	Industrial use	September 25, 2060	Mortgaged to bank
6.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	26,756.50	Industrial use	September 25, 2060	Mortgaged to bank
7.	深州市泰山東路北側、順發大街西側 North Side of Taishan East Road, West Side of Shunfa Street, Shenzhou	12,836.59	Industrial use	September 6, 2062	Mortgaged to bank
8.	深州市泰山東路北側、順發大街西側 North Side of Taishan East Road, West Side of Shunfa Street, Shenzhou	35,948.75	Industrial use	September 6, 2062	Mortgaged to bank

No.	Address and description of location	Area	Use	Expiry Date	Details of encumbrances, liens, pledges and mortgages
		(sq.m) *(approximate)*			
9.	深圳市泰山東路北側、順發大街西側 North Side of Taishan East Road, West Side of Shunfa Street, Shenzhou	10,301.33	Industrial use	September 6, 2062	Nil
10.	深圳市城市新區博陵東路南側 South Side of Boling East Road, New District, Shenzhou	29,712.00	Industrial use	December 31, 2063	Nil
11.	深圳市城市新區博陵東路北側 North Side of Boling East Road, New District, Shenzhou	17,622.61	Industrial use	December 31, 2063	Nil
12.	深圳市城市新區博陵東路北側 North Side of Boling East Road, New District, Shenzhou	27,095.21	Industrial use	December 31, 2063	Nil
13.	深圳市城市新區博陵東路北側 North Side of Boling East Road, New District, Shenzhou	26,909.12	Industrial use	December 31, 2063	Nil
14.	深圳市城市新區博陵東路北側 North Side of Boling East Road, New District, Shenzhou	10,550.80	Industrial use	December 31, 2063	Nil
15.	深圳市博陵東路北側 North Side of Boling East Road, Shenzhou	36,372.11	Industrial use	June 29, 2066	Nil
16.	深圳市博陵東路北側 North Side of Boling East Road, Shenzhou	80,345.50	Industrial use	June 29, 2066	Mortgaged to bank
17.	深圳市博陵路南側 South Side of Boling Road, Shenzhou	25,711.50	Urban residential use	December 31, 2083	Nil

Buildings

As at the Latest Practicable Date, we had 30 building ownership certificates and 9 real estate title certificates for buildings located in Shenzhou and Nanchang with an aggregate gross floor area of approximately 269,059.21 sq.m. A summary of our building and real estate ownership is set out below:

Building ownership certificate

No.	Address and description of location	Area	Restriction on use	Main usage	Date of issue	Details of encumbrances, liens, pledges and mortgages
		(sq.m) *(approximate)*				
1.	深州市泰山東路北 North of Taishan East Road, Shenzhou	13,067.32	Industrial use	Workshop	July 30, 2008	Mortgaged to bank
2.	深州市泰山東路北 North of Taishan East Road, Shenzhou	9,303.60	Industrial use	Dormitory, office and canteen	March 9, 2009	Mortgaged to bank
3.	深州市泰山東路北 North of Taishan East Road, Shenzhou	10,361.34	Industrial use	Workshop	May 19, 2009	Mortgaged to bank
4.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	4,372.64	Industrial use	Workshop	September 16, 2011	Mortgaged to bank
5.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	15,534.33	Industrial use	Workshop	September 16, 2011	Mortgaged to bank

No.	Address and description of location	Area	Restriction on use	Main usage	Date of issue	Details of encumbrances, liens, pledges and mortgages
		(sq.m) *(approximate)*				
6.	深圳市泰山東路北側、順發大街西側 North Side of Taishan East Road, West Side of Shunfa Street, Shenzhou	6,557.23	Industrial use	Workshop	December 30, 2013	Mortgaged to bank
7.	深圳市泰山東路北側、順發大街西側 North Side of Taishan East Road, West Side of Shunfa Street, Shenzhou	15,935.09	Industrial use	Workshop	December 30, 2013	Mortgaged to bank
8.	深圳市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	19,286.03	Industrial use	Workshop	March 15, 2014	Mortgaged to bank
9.	深圳市城市新區博陵東路北側 North Side of Boling East Road, New District, Shenzhou	3,581.60	Industrial use	Workshop	January 13, 2016	Nil
10.	深圳市城市新區博陵東路北側 North Side of Boling East Road, New District, Shenzhou	4,617.36	Industrial use	Storage	January 13, 2016	Nil

No.	Address and description of location	Area	Restriction on use	Main usage	Date of issue	Details of encumbrances, liens, pledges and mortgages
		(sq.m) *(approximate)*				
11.	深州市城市新區博陵東路北側 North Side of Boling East Road, New District, Shenzhou	17,841.57	Industrial use	Workshop	January 13, 2016	Nil
12.	深州市城市新區博陵東路北側 North Side of Boling East Road, New District, Shenzhou	17,513.95	Industrial use	Workshop	January 13, 2016	Nil
13.	深州市城市新區博陵東路北側 North Side of Boling East Road, New District, Shenzhou	1,087.81	Industrial use	Bathroom	January 13, 2016	Nil
14.	深州市城市新區博陵東路北側 North Side of Boling East Road, New District, Shenzhou	2,302.65	Industrial use	Canteen	January 13, 2016	Nil
15.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	3,447.00	Industrial use	Workshop	June 12, 2017	Nil

No.	Address and description of location	Area	Restriction on use	Main usage	Date of issue	Details of encumbrances, liens, pledges and mortgages
		(sq.m) *(approximate)*				
16.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	14,196.94	Industrial use	Workshop	June 12, 2017	Nil
17.	深州市城市新區博陵東路北側 North Side of Taishan East Road, New District, Shenzhou	5,270.40	Industrial use	Storage	June 12, 2017	Nil
18.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	2,241.30	Industrial use	Workshop	July 7, 2017	Nil
19.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	5,031.70	Industrial use	Workshop and storage	July 7, 2017	Nil
20.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	210.06	Industrial use	Guardroom	July 7, 2017	Nil

No.	Address and description of location	Area	Restriction on use	Main usage	Date of issue	Details of encumbrances, liens, pledges and mortgages
		(sq.m) *(approximate)*				
21.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	1,812	Industrial use	Workshop	July 7, 2017	Nil
22.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	105.03	Industrial use	Guardroom	July 11, 2017	Nil
23.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	105.03	Industrial use	Guardroom	July 11, 2017	Nil
24.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	105.03	Industrial use	Guardroom	July 11, 2017	Nil
25.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	105.03	Industrial use	Guardroom	July 11, 2017	Nil

No.	Address and description of location	Area	Restriction on use	Main usage	Date of issue	Details of encumbrances, liens, pledges and mortgages
		(sq.m) *(approximate)*				
26.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	105.03	Industrial use	Guardroom	July 11, 2017	Nil
27.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	236.08	Industrial use	Storage and ancillary facilities	September 30, 2017	Nil
28.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	45.20	Industrial use	Ancillary facilities	September 30, 2017	Nil
29.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	78.78	Industrial use	Ancillary facilities	September 30, 2017	Nil
30.	深州市城市新區泰山東路北側 North Side of Taishan East Road, New District, Shenzhou	182.45	Industrial use	Ancillary facilities	September 30, 2017	Nil

Real estate title certificate

No.	Address and description of location	Area	Restriction on use	Main usage	Date of issue	Details of encumbrances, liens, pledges and mortgages
		(sq.m) *(approximate)*				
1.	深州市博陵東路北側 North Side of Boling East Road, Shenzhou	21,626.20	Industrial use	Workshop	May 28, 2017	Nil
2.	深州市博陵東路北側 North Side of Boling East Road, Shenzhou	41,616.64	Industrial use	Workshop	May 31, 2017	Mortgaged to bank
3.	深州市博陵路南側 South Side of Boling Road, Shenzhou *(Note)*	5,544.77	Residential use	Public Rental Housing	July 21, 2017	Nil
4.	深州市博陵路南側 South Side of Boling Road, Shenzhou *(Note)*	4,774.38	Residential use	Public Rental Housing	July 21, 2017	Nil
5.	深州市博陵路南側 South Side of Boling Road, Shenzhou *(Note)*	4,465.80	Residential use	Public Rental Housing	July 21, 2017	Nil
6.	深州市博陵路南側 South Side of Boling Road, Shenzhou *(Note)*	5,318.88	Residential use	Public Rental Housing	July 21, 2017	Nil
7.	深州市博陵路南側 South Side of Boling Road, Shenzhou *(Note)*	5,318.88	Residential use	Public Rental Housing	July 21, 2017	Nil

No.	Address and description of location	Area	Restriction on use	Main usage	Date of issue	Details of encumbrances, liens, pledges and mortgages
		(sq.m) *(approximate)*				
8.	深州市博陵路南側 South Side of Boling Road, Shenzhou *(Note)*	5,544.77	Residential use	Public Rental Housing	July 21, 2017	Nil
9.	青雲譜區江鈴梨園小區77棟2單元301, 401室 Rooms 301 and 401, Unit 2, Block 77, Jianglingliyuan Community, Qinyunpu District	209.31	Residential use	Commercial housing	June 1, 2017	Nil

Note: *Pursuant to a joint ownership and management agreement for public rental housing (the "Ownership and Management Agreement") entered into between Hebei Ruifeng and Shenzhou Low Rent and Affordable Housing Management Center* (深州市廉租住房和經濟適用住房管理中心) ("Affordable Housing Management Center") dated August 25, 2017, both parties acknowledged and agreed that these six blocks of public rental housing ("Public Housing") are jointly owned as to 49.53% by Hebei Ruifeng and 50.47% by Affordable Housing Management Center. Under the Ownership and Management Agreement, Hebei Ruifeng will be responsible for the management of the Public Housing for an initial term of ten years commencing from May 1, 2017 and expiring on April 30, 2027, during which Hebei Ruifeng may, at its discretion, lease the Public Housing to our employees and (to the extent available) other eligible third parties at the prevailing rents in accordance with the applicable public housing rules in Shenzhou. The Public Housing has been and will continue to be leased to our eligible employees as staff dormitory. The rent payable by our employees for the leasing of the Public Housing, which shall be determined by the applicable public housing rules, shall be borne by us. The rents attributable from the Public Housing so leased (whether to our eligible employees or other eligible third parties), after deduction of such property management and maintenance costs, will be shared between us and Affordable Housing Management Center based on the above proportions. Except for the leasing of the Public Housing as mentioned above, neither party may mortgage, transfer or otherwise deal with any part of the Public Housing and/or the relevant lands.*

To the extent that any certificates, approvals or permits are required as at the date thereof, we held valid title certificates for all our owned properties.

LEGAL PROCEEDINGS AND COMPLIANCE

The following table sets out summaries of certain incidents of historical non-compliance with applicable laws or regulations during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us.

No.	Historical non-compliance	Reasons for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status	Enhanced internal control measures to prevent recurrence of the non-compliance incidents
1.	**Under-contribution of social insurance for some of our employees:** From 2014 and up to June 2017, Hebei Ruifeng did not make full contributions to the social insurance scheme, for some of its employees which was in contravention of the Social Insurance Law of the PRC (中華人民共和國社會保險法) (the "Social Insurance Law"). During the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the amount of social insurance payment underpaid by us for the relevant year/period was approximately RMB4.0 million, RMB3.8 million, RMB4.4 million and RMB2.7 million, respectively.	The non-compliance was mainly caused by (i) our staff responsible for ensuring compliance at the relevant time being not familiar with the relevant regulatory requirements; (ii) different levels of acceptance by Hebei Ruifeng's employees; and (iii) inconsistent interpretation by local authorities in the PRC of the relevant regulations. None of our Directors and senior management was involved in this non-compliance incident as our staffs in the PRC were delegated in ensuring compliance.	According to the Social Insurance Law, the employer who fails to pay the full amount of social insurance contribution, will be ordered to make the payment or make up the difference within the stipulated period and will be charged a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If the payment is not made within the stipulated period, a fine from one to three times the amount of overdue payment will be imposed.	Since July 2017, Hebei Ruifeng has made contribution of social insurance for all of its employees on a required basis under the relevant PRC laws and regulations. We obtained written confirmation from Shenzhou City Social Insurance Administration Bureau* (深州市社會保險事業管理所) on July 31, 2017 that (i) we would not be required to make supplemental contributions for our historical under-payment of social insurance contribution and (ii) no administrative penalty had been imposed or will be imposed on Hebei Ruifeng. We are advised by our PRC Legal Advisor that Shenzhou City Social Insurance Administration Bureau is the competent authority to give such confirmation. As at the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to the social insurance and demanding payment of the same.	To prevent recurrence of non-compliance incidents in relation to under contributions of social insurance, we have adopted the following internal control measures: (1) contribute to the social insurance schemes for our employees in line with the standards stipulated under the applicable PRC laws and regulations or the standards set by the relevant social insurance scheme authorities; (2) make personal employment records for each of our employees and all the new employment contracts have specified that our employees shall cooperate in making contribution of social insurance in compliance with the relevant laws and regulations;

No.	Historical non-compliance	Reasons for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status	Enhanced internal control measures to prevent recurrence of the non-compliance incidents
				Based on the above reasons, our PRC Legal Advisor is of the view that the likelihood that the relevant social insurance authorities will impose penalty on us is remote. Provision in respect of such under-contribution during each of the years ended December 31, 2014, 2015 and 2016 and six months ended June 30, 2017 of approximately RMB4.0 million, RMB3.8 million, RMB4.4 million and RMB2.7 million has been made in our combined financial statements for each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 respectively. Furthermore, in the event that the relevant PRC authorities impose any penalties or fines on us due to such non-compliance incident, our Controlling Shareholders have agreed to indemnify us for all losses, claims, actions, demands, liabilities, damages, costs, expenses, fines, penalties and charges suffered or incurred by us due to our non-compliance with the social insurance contribution regulations. Our Directors are of the view that, based on the government confirmation, the advice of our PRC Legal Advisor and the indemnities provided by our Controlling Shareholders, such non-compliance incident will not materially and adversely affect our business operations or financial condition.	(3) Mr. ZW Liu, our executive Director, is responsible for monitoring timely payment of social insurance for employees on a monthly basis; and (4) adoption of internal guidelines and policies to ensure the list of employees have been properly kept and up-to-date. Our executive Directors and other responsible staff of our Group attended a training session in August 2017 with respect to the applicable PRC laws and regulations to prevent recurrence of such non-compliance incident. We will also engage an external PRC legal advisor to advise us on compliance with the applicable PRC laws and regulations from time to time, as and when needed.

No.	Historical non-compliance	Reasons for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status	Enhanced internal control measures to prevent recurrence of the non-compliance incidents
2.	**Failure to register housing provident fund account and under-contribution of housing provident fund contributions for some of our employees**: From 2014 and up to December 2015, Hebei Ruifeng failed to register with the relevant housing provident fund authority and, from 2014 and up to June 2017, Hebei Ruifeng did not make full contributions to housing provident fund for some of its employees, which was in contravention of the Regulation on the Administration of Housing Provident Fund of the PRC (住房公積金管理條例) (the "Housing Provident Fund Regulations"). During the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the amount of housing provident fund underpaid by us for the relevant year/period was approximately RMB1.2 million, RMB1.3 million, RMB1.2 million and RMB0.4 million, respectively.	The non-compliance was mainly caused by (i) our staff responsible for ensuring compliance at the relevant time being not familiar with the relevant regulatory requirements; (ii) different levels of acceptance by Hebei Ruifeng's employees; and (iii) inconsistent interpretation by local authorities in the PRC of the relevant regulations. None of our Directors and senior management was involved in this non-compliance incident as our staffs in the PRC were delegated in ensuring compliance.	According to the Housing Provident Fund Regulations, the employer who fails to register the housing provident fund account will be ordered to conduct registration within the prescribed time limit as required by the relevant administrative authorities, and in the event that such employer fails to register the housing provident fund account within the prescribed time limit, a fine ranging from RMB10,000 to RMB50,000 will be imposed on such employer; the employer who fails to pay the housing provident fund or does not fully pay the housing provident fund will be ordered to pay the unpaid requisite housing provident fund within the prescribed time limit as required by the relevant administrative authorities, and in the event that the employer fails to make payment within the prescribed time limit, the relevant administrative authorities are entitled to apply for enforcement orders from the relevant PRC's court.	In December 2015, Hebei Ruifeng had duly registered with the relevant housing provident fund authority and opened its account for housing provident fund. Since July 2017, Hebei Ruifeng has made housing provident fund contributions for all of its employees in accordance with the relevant PRC laws and regulations. We obtained written confirmations from Hengshui Municipal Housing Provident Fund Management Center, Shenzhou Management Department* (衡水市住房公積金管理中心深州管理部) ("Hengshui City Housing Provident Fund Authority") on July 31, 2017 and August 28, 2017 that (i) we would not be required to make supplemental contributions for our historical under-payment of housing provident fund contributions before December 2015; (ii) no administrative penalty had been imposed or will be imposed on Hebei Ruifeng; and (iii) the amount of housing provident funds paid by Hebei Ruifeng are in compliance with the relevant laws and regulations as at August 28, 2017. We are advised by our PRC Legal Advisor that Hengshui City Housing Provident Fund Authority is the competent authority to give such confirmation.	To prevent recurrence of non-compliance incidents in relation to under contributions of housing provident fund, we have adopted the following internal control measures: (1) communicate with our employees from time to time with regard to the housing provident fund contributions and contribute to the housing provident fund for our employees in line with the standards stipulated under the applicable PRC laws and regulations or the standards set by the relevant housing provident fund authorities. (2) make personal employment records for each of our employees and all the new employment contracts have specified that our employees shall cooperate in making contribution of housing provident fund in compliance with the relevant laws and regulations;

No.	Historical non-compliance	Reasons for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status	Enhanced internal control measures to prevent recurrence of the non-compliance incidents
				As at the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to the housing provident fund and demanding payment of the same before a stipulated deadline. Based on the above reasons, our PRC Legal Advisor is of the view that the likelihood that the relevant housing provident fund authorities will order us to pay the outstanding housing provident fund or apply for a court order from the relevant PRC courts is remote. Provision in respect of such under-contribution during each of the years ended December 31, 2014, 2015 and 2016 and six months ended June 30, 2017 of approximately RMB1.2 million, RMB1.3 million, RMB1.2 million and RMB0.4 million has been made in our combined financial statements for each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 respectively. Furthermore, in the event that the relevant PRC authorities impose any penalties or fines on us due to such non-compliance incident, our Controlling Shareholders have agreed to indemnify us for all losses, claims, actions, demands, liabilities, damages, costs, expenses, fines, penalties and charges suffered or incurred by us due to our non-compliance with the housing provident fund contribution regulations. Our Directors are of the view that, based on the government confirmation, the advice of our PRC Legal Advisor and the indemnities provided by our Controlling Shareholders, such non-compliance incident will not materially and adversely affect our business operations or financial condition.	(3) Mr. ZW Liu, our executive Director, is responsible for monitoring timely payment of housing provident fund for employees on a monthly basis; and (4) adoption of internal guidelines and policies to ensure the list of employees have been properly kept and up-to-date. Our executive Directors and other responsible staff of our Group attended a training session in August 2017 with respect to the applicable PRC laws and regulations to prevent recurrence of such non-compliance incident. We will also engage an external PRC legal advisor to advise us on compliance with the applicable PRC laws and regulations from time to time, as and when needed.

No.	Historical non-compliance	Reasons for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status	Enhanced internal control measures to prevent recurrence of the non-compliance incidents
3.	**Commencement of construction work prior to obtaining approval of the environmental impact report:** We did not obtain approval of the environmental impact report (環境影響評價文件) for the construction of our workshop located at Taishan East Road, New District, Shenzhou (深州市城市新區泰山東路), which was in contravention with the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法).	The non-compliance was mainly caused by our staff responsible for ensuring compliance at the relevant time being not familiar with the relevant regulatory requirements. None of our Directors and senior management was involved in this non-compliance incident as our staffs in the PRC were delegated in ensuring compliance.	According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), if the construction unit fails to submit the environmental impact report or the environmental impact report was not approved by the relevant PRC authority before construction commences, the department in charge of the administrative department of the environmental protection supervision and administration may order to stop construction immediately, impose a fine, and may order to return the construction to its original state.	On May 2016, we have paid a fine of RMB120,000 to Shenzhou Environmental Protection Bureau* (深州市環境保護局) ("Shenzhou Environmental Protection Bureau") and have obtained approval of the environmental impact report in June 2016. We obtained written confirmation on July 31, 2017 from Shenzhou Environmental Protection Bureau confirming that (i) a fine of RMB120,000 had been paid by the Group and (ii) apart from this non-compliance, Hebei Ruifeng has fully complied with the relevant PRC laws and regulations for environmental protection since the date of establishment. We are advised by our PRC Legal Advisor that Shenzhou Environmental Protection Bureau is the competent authority to give such confirmation, and that the likelihood for further penalty or order for demolition to be made by Shenzhou Environmental Protection Bureau for this non-compliance issue is remote. Our Controlling Shareholders have agreed to indemnify us for all losses, claims, actions, demands, liabilities, damages, costs and expenses, fines, penalties and charges suffered or incurred by us due to our non-compliance with the environmental protection regulations. Our Directors are of the view that, based on the government confirmation and the advice of our PRC Legal Advisor, such non-compliance incident will not materially and adversely affect our business operations and financial condition. As a result, no provision has been made in our combined financial statements.	We have established internal guideline to ensure that the construction work will comply with the environmental laws and regulations. Before commencement of construction work, we will consult the relevant environmental protection department for the environmental laws and regulations that needs to be comply with. We have designated Mr. ZW Liu, our executive Director, who was not involved in this historical non-compliance incident, to oversee the implementation of the internal guideline. Our executive Directors and other responsible staff of our Group attended a training in August 2017 with respect to the applicable PRC laws and regulations to prevent recurrence of such non-compliance incident. We will also engage an external PRC legal advisor to advise us on compliance with the applicable PRC laws and regulations from time to time, as and when needed.

No.	Historical non-compliance	Reasons for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status	Enhanced internal control measures to prevent recurrence of the non-compliance incidents
4.	**Failure to obtain planning approval for construction of the ancillary structures (建設工程規劃許可):** During the Track Record Period, we did not obtain planning approval for construction of five ancillary structures including (i) warehouse, (ii) high voltage power distribution room, (iii) geothermal power station; (iv) equipment storage and (v) pool and control room located at North Side of Taishan East Road, New District, Shenzhou (深州市城市新區泰山東路北側) with gross floor areas of approximately 542.51 sq.m..	The non-compliance was mainly caused by our staff responsible for ensuring compliance at the relevant time being not familiar with the relevant regulatory requirements. None of our Directors and senior management was involved in this non-compliance incident as our staffs in the PRC were delegated in ensuring compliance.	According to the Law of the PRC on Urban and Rural Planning (中華人民共和國城鄉規劃法), where a construction unit engaged in construction of the ancillary structures without obtaining planning approval, it will be ordered to suspend the construction in question by the department in charge of urban and rural planning under the people's government of the city; make rectification within the prescribed time limit and be fined 5% to 10% of the cost of the construction if measures can be taken to eliminate the effect on the implementation of urban and rural planning. If measures cannot be taken to eliminate the effect, the ancillary structures will be removed within the prescribed time limit, and real objects or any illegal income arising from the ancillary structures will be confiscated and the construction unit may be fined not more than 10% of the cost of the construction if the ancillary structures cannot be removed.	We had obtained the planning approval and building ownership certificate for the five ancillary structures on September 11, 2017 and September 30, 2017, respectively. To the best of our Directors' knowledge, belief and understanding, the five ancillary structures are in safe conditions as at the Latest Practicable Date. As at the Latest Practicable Date, we had not received any penalty notice or request for demolition from the relevant PRC authorities. Our PRC Legal Advisor had an interview with the responsible officer of Shenzhou Housing and Urban Planning and Construction Bureau* (深州市住房和城鄉規劃建設局) ("Housing and Urban Planning and Construction Bureau") in August 2017, during which the responsible officer verbally confirmed that (i) we would not be ordered to demolish or penalized for the failure to obtain planning approval for construction of the five ancillary structures; (ii) there would not be any impediment for us to obtain the planning approval for constructions of the five ancillary structures and (iii) we may continue to use these ancillary structures. We are advised by our PRC Legal Advisor that Housing and Urban Planning and Construction Bureau is the competent authority to consult on the Law of the PRC on Urban and Rural Planning, and that the likelihood that Hebei Ruifeng will be ordered to demolish or penalized for the five ancillary structures for this non-compliance issue is remote and there is no legal impediment for us to obtain planning approval. Our Controlling Shareholders have agreed to indemnify us for all losses, claims, actions, demands, liabilities, damages, costs and expenses, fines, penalties and charges suffered or incurred by us due to our non-compliance with the urban and rural planning regulations. Our Directors are of the view that, based on the advice of our PRC Legal Advisor and interview with the relevant government authority, such non-compliance incident will not materially and adversely affect our business operations and financial condition. As a result, no provision has been made in our combined financial statements.	We have designated Mr. ZW Liu, our executive Director, who was not involved in this historical non-compliance incident, to ensure that planning approval for construction to be obtained for the ancillary structures in accordance with the requirements of the relevant laws and regulations. Our executive Directors and other responsible staff of our Group attended a training session in August 2017 with respect to the applicable PRC laws and regulations to prevent recurrence of such non-compliance incident.

Legal Proceedings

As at the Latest Practicable Date, no member of our Group or any of our Directors was engaged in any litigation or arbitration of material importance and to the best knowledge and belief of our Directors, no litigation, arbitration or claim of material importance was pending or threatened by or against any member of our Group or any of our Directors.

Internal Control Review

In April 2017, we have engaged SHINEWING Risk Services Limited as our independent internal control advisor ("Internal Control Advisor") to perform compliance procedures review on our internal control policies related to, among others, the historical non-compliance incidents. The scope of work covers, (i) under-contribution of social insurance and housing provident fund; (ii) commencement of construction work prior to obtaining approval of the environmental impact report and (iii) failure to obtain planning approval for five ancillary structures.

The Internal Control Advisor performed a review on the historical non-compliance incidents. Based on its findings, the Internal Control Advisor has put forward its recommendations. In order to continuously enhance our corporate governance and to prevent recurrence of non-compliance incidents, our Directors confirmed that the following recommendations provided by the Internal Control Advisor have been implemented:

- We will engage Jingtian & Gongcheng as our external legal advisor upon Listing to provide timely legal advices to our Board and other relevant staff on the applicable PRC laws, rules and regulations concerning the non-compliance matters occurred in our operations;

- We have appointed Guotai Junan Capital Limited to act as our compliance advisor upon Listing;

- We plan to designate Mr. Wong Ka Wai, the company secretary and chief financial officer of our Company, to assist our Board to perform internal review of our operations, and identify, assess and manage the risks associated with our operations from time to time to ensure compliance with laws, rules and regulations in the PRC;

- We have also established an audit committee comprising three independent non-executive Directors, namely, Mr. Ren Keqiang, Mr. Yu Chun Kau and Mr. Wei Anli with Mr. Yu Chun Kau as the chairman of the audit committee to supervise our internal control measures in order to better monitor our business operations from the perspective of compliance with applicable rules and regulations;

- We have established a set of policies and procedures to ensure compliance with the relevant PRC laws and regulatory requirements for environment and building constructions and timely payment of social insurance and housing provident fund; and

- We will provide regular internal training to our relevant employees and management on our compliance policy and all applicable PRC laws and regulations annually to ensure awareness and compliance of the policies.

The Internal Control Advisor conducted follow-up review in August 2017 on the remediation status of the internal control system and the result is satisfactory. The current internal control system has been properly designed to prevent the recurrence of those historical non-compliance incidents.

Views of our Directors and the Sole Sponsor

Considering (i) the nature, reasons and consequences of the non-compliance incidents; (ii) the rectification measures we have undertaken; (iii) the legal advice from our PRC Legal Advisor; (iv) confirmations from the relevant competent government authorities and indemnities from our Controlling Shareholders; (v) the enhanced internal control measures adopted by us pursuant to the recommendations made by the Internal Control Advisor; (vi) the training session attended by our executive Directors and responsible staff of our Group in relation to the applicable PRC laws and regulations regarding social insurance schemes, housing provident funds and environmental laws and requirements for building constructions; (vii) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors, our Directors are of the view that the enhanced internal control measures adopted by us are adequate and effective and that these historical non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules. The Sole Sponsor concurred with such view of our Directors on the same basis as described above.

Save as disclosed in this prospectus, to the best knowledge, information and belief of our Directors, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations applicable to us in all material respects concerning our operations.

Our Controlling Shareholders have undertaken to indemnify our Group against, among others, any loss suffered by our Group as a result of the non-compliance with the applicable PRC laws and regulations disclosed herein. Please refer to the paragraph headed "Other Information – 17. Estate duty, tax and other indemnity" in Appendix IV to this prospectus for details of the indemnity.

CONTROLLING SHAREHOLDERS OF THE COMPANY

Immediately following completion of the Global Offering and the Capitalization Issue and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme, we will be owned as to approximately 51.38% by Dragon Rise, which is in turn owned as to approximately 50.46%, 22.36%, 14.32% and 12.86% by each of Mr. LZ Meng, Mr. YX Zhang, Mr. ZW Liu, and Mr. EW Liu, respectively. Dragon Rise is an investment holding company.

Mr. LZ Meng, Mr. YX Zhang, Mr. ZW Liu and Mr. EW Liu were four of the founders of our Group. They have been directors of Hebei Ruifeng since its establishment, and had been direct or indirect shareholders thereof immediately prior to the Reorganization. They have been acting in concert by actively following the lead of Mr. LZ Meng in terms of the concerted voting decisions on matters and resolutions to be passed by the shareholders of Hebei Ruifeng and (as the case may be) our Company. On August 28, 2017, Mr. LZ Meng, Mr. YX Zhang, Mr. ZW Liu and Mr. EW Liu entered into a concert party agreement confirming their acting-in-concert agreement in the past, and agreeing that (i) they will continue to act in concert by actively following the lead of Mr. LZ Meng in terms of the concerted voting decisions on matters and resolutions to be passed by the shareholders of our Company or (as the case may be) Dragon Rise, and that (ii) they may not sell, transfer or otherwise dispose of any of the Shares or (as the case may be) shares of Dragon Rise without the prior consent of Mr. LZ Meng. For the purpose of the Listing Rules, Dragon Rise, Mr. LZ Meng, Mr. ZW Liu, Mr. YX Zhang and Mr. EW Liu are the Controlling Shareholders of our Company as at the Latest Practicable Date, and each of Mr. LZ Meng, Mr. ZW Liu, Mr. YX Zhang and Mr. EW Liu are a group of Controlling Shareholders acting in concert.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders and their respective close associates (other than members of our Group) upon or shortly after the Listing.

Our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

Operational independence

Our Group has different departments to carry our business and operations, including research and development, production, procurement, sales and marketing, which will operate separately and independently from our Controlling Shareholders. During the Track Record Period and up to the Latest Practicable Date, we have independent access to our customers and suppliers. Our Group does not rely on referral of business opportunities from the Controlling Shareholders. The management team of our Group has been and will be able to seek business opportunities for our Group. Our Group holds all the production, operating facilities and technology necessary to our business operations. We have sufficient operational capacity in terms of capital, equipment and employees to operate our business independently of our Controlling Shareholders and their respective close associates (other than members of our Group). The capability of our Group to operate independently from the Controlling Shareholders is not considered to be a concern.

Management independence

Our Board comprises four executive Directors and three independent non-executive Directors. The directorship of our executive Directors are held by Mr. LZ Meng, Mr. YX Zhang, Mr. ZW Liu and Mr. EW Liu, who are our Controlling Shareholders.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. Our independent non-executive Directors are all with extensive experience in different professions and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that different background provides a balance of views and opinions. Please refer to the section headed "Directors and Senior Management" in this prospectus for details of the background of our Directors. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

We have an independent senior management team to carry out the business decisions of our Group independently and to perform all essential management functions (such as operating our principal businesses, invoicing and billing, sales and marketing, production, research and development and human resources and information technology) without unduly requiring the support of our Controlling Shareholders (other than Mr. LZ Meng, Mr. YX Zhang, Mr. ZW Liu and Mr. EW Liu in their capacity as directors and management of our Group). Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

Financial independence

During the Track Record Period, we principally financed our operations through (i) our internal resources, (ii) bank loans and other loans and (iii) loans from local finance bureau and financial institutions. As of December 31, 2014, 2015, 2016 and June 30, 2017, the total outstanding bank borrowings amounted to about RMB106.0 million, RMB96.0 million, RMB90.8 million and RMB111.3 million, respectively, and our total outstanding loans from third parties amounted to about RMB33.7 million, RMB54.6 million, RMB110.0 million and RMB110.0 million, respectively. On the other hand, the outstanding amount of loans from the Controlling Shareholders and their respective associates as at December 31, 2014, 2015, 2016 and June 30, 2017 amounted to only about RMB3.0 million, RMB2.9 million, nil and nil, respectively, all of which had been repaid in full as at the Latest Practicable Date.

In August 2017, we obtained a bank loan of RMB20.0 million which was secured by, among others, personal guarantee provided by Mr. LZ Meng and his spouse to the extent of approximately RMB50.0 million. Such bank loan had been repaid in full as at the Latest Practicable Date.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had not provided any loans to, nor given any guarantee, security or pledge for, our Controlling Shareholders or their respective associates, and none of our Controlling Shareholders or any of their respective associates had provided any personal guarantee, security or pledge for any of our banking facilities and other borrowings.

During the Track Record Period and up to the Latest Practicable Date, we had independent financial and accounting and internal control systems, independent treasury function for receiving cash and making payments, and we had independent access to third-party financing. Our Group is capable of making financial decisions according to our own business needs. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders and their respective close associates after Listing.

Save as aforesaid, our Group does not rely on our Controlling Shareholders and/or their respective close associates by virtue of their provision of financial assistance.

RULE 8.10 OF THE LISTING RULES

None of our Controlling Shareholders and our Directors has any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETE UNDERTAKING

Each of our Controlling Shareholders has confirmed that none of them or their respective associates (other than our Group) is engaged in, or interested in any business (other than that of our Group) which, directly or indirectly, competes or may compete with our business or has or may have any conflict of interest with our Group. To avoid any actual or potential competition between our Group and our Controlling Shareholders, each of Controlling Shareholders has given the Non-Compete Undertaking pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates (other than our Group) shall:

(i) save for the Excluded Business (as defined below), not, directly or indirectly, carry on, invest in or be engaged in any business which will or may compete with the business currently and from time to time engaged by our Group (the "Restricted Business") including but not limited to the design, development, production and sales of cylinder blocks, cylinder heads and other cylinder block components from time to time ("Restricted Products");

(ii) not solicit any existing or then existing employee of our Group for employment by them or their respective associates (excluding our Group);

(iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in their capacity as our Controlling Shareholder and/or Directors for the purpose of competing with the Restricted Business; and

(iv) in respect of any order undertaken or proposed to be undertaken by them or their respective associates (excluding our Group) involving design, development and production of any Restricted Products, unconditionally use reasonable endeavours to procure that such customer(s) to appoint or contract directly with any member of our Group for the design, development, production and sales of the Restricted Products under the relevant order.

For the above purpose:

(A) the "Relevant Period" means the period commencing from the Listing Date and shall expire upon the earliest date of occurrence of the events below:

  (a) the date on which the relevant Controlling Shareholder (individually) cease to be a controlling shareholder for the purpose of the Listing Rules;

  (b) the date on which our Shares cease to be listed on the Stock Exchange and (if applicable) other stock exchange;

(B) the "Excluded Business" means:

(a) any direct or indirect investments of the relevant Controlling Shareholder and/or their associates (excluding our Group) in any member of our Group; or

(b) any direct or indirect investments of any Controlling Shareholder and/or their respective associates (excluding our Group) in the design, development, production and sales of the Restricted Products whereby (i) the aggregate investment by such Controlling Shareholder and/or his close associates in the business shall not exceed 30% of the entire equity interests in that business; and (ii) none of such Controlling Shareholder and/or his/its associates will be involved in the operation and management of that business; or

(c) any direct or indirect investments in shares of a publicly listed company (other than our Group) whereby (i) the aggregate interests held by such Controlling Shareholder and/or his/its associates shall not exceed 5% of the entire issued shares of that company, (ii) such Controlling Shareholder and/or his/its associates (individually or collectively) is not the single largest shareholder or equity holder; and (iii) none of such Controlling Shareholder and/or his/its associates has been and will be involved in the operation and management of that company and/or its business.

Each of our Controlling Shareholders has undertaken under the Non-Compete Undertaking that he or it shall provide to us and our Directors from time to time all information necessary for annual review by our independent non-executive Directors with regard to compliance with the terms of the Non-Compete Undertaking by our Controlling Shareholders. Each of our Controlling Shareholders has also undertaken to make an annual declaration as to compliance with the terms of the Non-Compete Undertaking in our annual report.

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to the compliance and enforcement of the Non-Compete Undertaking, we have adopted the following corporate governance measures:

(i) our independent non-executive Directors shall review, at least on an annual basis, the compliance and enforcement of the terms of the Non-Compete Undertaking by our Controlling Shareholders;

(ii) we will disclose any decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Non-Compete Undertaking either through our annual report or by way of announcement;

(iii) we will disclose in the corporate governance report of our annual report on how the terms of the Non-Compete Undertaking have been complied with and enforced; and

(iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Non-Compete Undertaking, he shall disclose his interests to our Board and he may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

OVERVIEW

Our Board consists of seven Directors, including four executive Directors and three independent non-executive Directors. Our Board is responsible for and has general powers for the management and the conduct of our business. The following table lists out the current members of our Board and sets out certain information in respect of members of our Board.

Directors

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Meng Lianzhou (孟連周)	57	Chairman, Executive Director and Chief Executive Officer	Founder of our Group	August 10, 2017	Overall strategic development and business development of our Group	None
Liu Zhanwen (劉占穩)	65	Executive Director	Founder of our Group	August 10, 2017	Overall business operations of our Group	None
Zhang Yuexuan (張躍選)	68	Executive Director	Founder of our Group	August 10, 2017	Overall product research and development of our Group	None
Liu Enwang (劉恩旺)	56	Executive Director	Founder of our Group	August 10, 2017	Overall financial management of our Group	None
Ren Keqiang (任克強)	44	Independent non-executive Director	December 11, 2017	December 11, 2017	Supervising and providing independent judgment to the Board, the audit committee, the remuneration committee and the nomination committee	None

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Yu Chun Kau (余振球)	45	Independent non-executive Director	December 11, 2017	December 11, 2017	Supervising and providing independent judgment to the Board, the audit committee, the remuneration committee and the nomination committee	None
Wei Anli (魏安力)	64	Independent non-executive Director	December 11, 2017	December 11, 2017	Supervising and providing independent judgment to the Board, the audit committee, the remuneration committee and the nomination committee	None

Senior management

The following table lists the current members of our senior management (other than our Directors) who are primarily responsible for the operations and management of our Group:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Wei Xilai (位喜來)	33	Secretary to chairman	September 6, 2006	February 1, 2012	Overall administration work of our Group	None
Xie Fei (謝飛)	43	Executive deputy general manager	October 25, 2003	February 1, 2017	Overall management of business operations of our Group	None
Wen Qingwei (文清威)	46	Deputy general manager	October 25, 2003	February 1, 2017	Overall management of new product development and product quality of our Group	None
Wong Ka Wai (王加威)	38	Chief financial officer and company secretary	May 1, 2017	May 1, 2017	Overseeing our Group's financial and banking management and company secretarial work	None

BOARD OF DIRECTORS

Executive Directors

Mr. Meng Lianzhou (孟連周), aged 57, is the executive Director, chief executive officer and chairman of our Group who is responsible for the overall strategic development and business development of our Group. Mr. LZ Meng was appointed as a Director on May 2, 2017 and re-designated as an executive Director on August 10, 2017. He has over 20 years of experience in the cylinder blocks and cylinder heads manufacturing industry. Mr. LZ Meng is one of the founders of our Group and one of our Controlling Shareholders. Mr. LZ Meng graduated from Hebei Radio and TV University (河北廣播電視大學) with a certificate in corporate management in July 1988. Mr. LZ Meng joined Hebei Cylinder Block Factory* (河北省內燃機缸體廠) ("Hebei Cylinder Block Factory") in March 1995 as a tooling workshop operator and had held various positions including power workshop director and the director of the finance division. He was promoted to be the plant manager in July 2000 until the restructuring of Hebei Cylinder Block Factory in October 2003. He has been a director of our Group since June 2002 and our chairman since October 2003.

Mr. LZ Meng was named a "Model Worker in Hebei Province" (河北省職工勞動模範) by Hebei Municipal Government and Hebei Federation of Trade Unions of Shenzhou City (河北省人民政府、河北省總工會) in 2009. Furthermore, Mr. LZ Meng has also held offices as the vice president of the Union of Returned Overseas Chinese in Hengshui City* (衡水市歸國華僑聯合會) since 2012 and the vice president of the Industry and Commerce Union in Hengshui City* (衡水市工商業聯合會) since 2016.

Mr. LZ Meng is currently performing the roles of chairman and chief executive officer of our Company. Under code provision A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. LZ Meng's extensive experience in the cylinder blocks and cylinder heads manufacturing industry, our Board considered that the roles of chairman and chief executive officer being performed by Mr. LZ Meng enables more effective business planning and implementation by our Group. In order to maintain good corporate governance and fully comply with code provision, our Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

Mr. Liu Zhanwen (劉占穩), aged 65, is the executive Director who is responsible for the overall business operation of our Group. He was appointed as an executive Director on August 10, 2017. He has over 20 years of experience in the cylinder blocks and cylinder heads manufacturing industry. Mr. ZW Liu is one of the founders of our Group and one of our Controlling Shareholders. He joined Hebei Cylinder Block Factory in March 1995 as a sales department officer until the restructuring of Hebei Cylinder Block Factory in October 2003. Mr. ZW Liu has been a director of our Group since June 2002 and had held various positions including assistant of general manager, deputy general manager and sales manager in our Group.

Mr. Zhang Yuexuan (張躍選), aged 68, is the executive Director who is responsible for the overall product research and development of our Group. He was appointed as an executive Director on August 10, 2017. He has over 20 years of experience in the cylinder blocks and cylinder heads manufacturing industry. Mr. YX Zhang is one of the founders of our Group and one of our Controlling Shareholders. He joined Hebei Cylinder Block Factory in March 1995 as a processing line director and was later promoted to be the vice plant manager in July 2000 until the restructuring of Hebei Cylinder Block Factory in October 2003. Mr. YX Zhang has been a director of our Group since June 2002. From October 2003 until the dissolution of Hebei Ruifeng Engine in December 2009, he had held various positions in Hebei Ruifeng Engine including vice chairman, deputy general manager and general manager. He was the deputy general manager of Hebei Ruifeng from March 2016 to February 2017. Since February 2017, he has been the executive general manager of Hebei Ruifeng, mainly responsible for the product research and development.

Mr. Liu Enwang (劉恩旺), aged 56, is the executive Director who is responsible for the overall financial management of our Group. He was appointed as an executive Director on August 10, 2017. He is one of the founders of our Group and one of our Controlling Shareholders. Mr. EW Liu graduated from School of Agriculture and Mechanization, Hengshui* (衡水地區農業機械化學校) (currently known as Hengshui Industrial School* (衡水工業學校)) with a major in machinery maintenance in May 1981. Mr. EW Liu joined Hebei Cylinder Block Factory in March 1995 as an accountant and was later promoted to be the deputy section manager in July 1995 and the section manager in May 1997, until the restructuring of Hebei Cylinder Block Factory in October 2003. He has been a director of our Group since June 2002. He had been the financial director of Hebei Ruifeng Engine from October 2003 to July 2007. Since August 2007, he has been the financial director and deputy general manager of Hebei Ruifeng, mainly responsible for financial management.

Independent non-executive Directors

Mr. Ren Keqiang (任克強), aged 44, is our independent non-executive Director. He was appointed as an independent non-executive Director on December 11, 2017. Mr. Ren graduated from High School of Longkou Mining Bureau, Longkou City, Yantai City, Shandong Province* (山東省煙台市龍口市龍口礦務局高中) (currently known as Longkou School, Longkou City* (龍口市龍礦學校)) in July 1992. He has over 13 years of experience in the investment and management field. From October 1995 to November 2014, Mr. Ren held various positions at Langfang Huari Furniture Co., Ltd* (廊坊華日家具股份有限公司), a company principally engaged in the sale and manufacturing of furniture in the PRC: he was the purchasing officer and deputy manager of the purchasing department from October 1995 to June 1997; the officer manger from July 1997 to October 2003; the investment manager from October 2003 to December 2011; and the general manager of office furniture division and the assistant of the chairman from January 2012 to November 2014. From January 2015 until present, Mr. Ren is the managing director of Shenzhen Ren Intelligent Investment Co., Ltd* (深圳仁智慧投資有限公司), a company principally engaged in equity investment and secondary stock market investment, and is mainly responsible for investment, assets management and mergers.

Mr. Yu Chun Kau (余振球), aged 45, is our independent non-executive Director. Mr. Yu was appointed as an independent non-executive Director on December 11, 2017. Mr. Yu has over 20 years of experience in finance and management. Mr. Yu graduated from The Chinese University of Hong Kong with a bachelor's degree in business administration in May 1994. He obtained a master's degree in corporate governance from The Open University of Hong Kong in June 2005. Mr. Yu is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators respectively and is registered as a Certified Public Accountant (Practising) with Hong Kong Institute of Certified Public Accountants. Mr. Yu is also a senior international finance manager of International Financial Management Association.

From August 1994 to December 2016, Mr. Yu had held a number of positions in the companies set out below:

Name of company	Principal business activity	Position and responsibilities	Period of services
KPMG Hong Kong	International accounting firm	Audit manager	From August 1994 to July 2002
First Dragoncom Agro-Strategy Holdings Ltd. (listed on the Main Board of the Stock Exchange: stock code: 875) (currently known as China Finance Investment Holdings Limited)	A company principally engaged in growing, processing and selling agricultural product	Financial controller	From July 2002 to November 2003
Kerry Beverages Limited	A company operating Coca-Cola bottling plants in the PRC	Assistant director of operations strategy and planning	From December 2003 to June 2006
Brigantine Group	A company principally engaged in container, vessel, terminal equipment maintenance and repair services and container trading	Chief financial officer	From June 2006 to February 2008
China Risun Coal Chemicals Group Limited	A coke and coal chemicals producer and supplier in the PRC	Executive director, chief financial officer and company secretary	From February 2008 to June 2010
Sitoy Group Holdings Limited (listed on the Main Board of the Stock Exchange: stock code: 1023)	A handbag, small leather goods and travel goods manufacturer and retailer	Executive director, chief financial officer and company secretary, which he took part in the listing process and was responsible for financial management and reporting, internal control and compliances, corporate finance and company secretarial matters	From June 2010 to December 2012

Name of company	Principal business activity	Position and responsibilities	Period of services
Cosmo Lady (China) Holdings Company Limited (listed on the Main Board of the Stock Exchange: stock code: 2298)	A company principally engaged in the design, research, development and sale of intimate wear	Vice president, chief financial officer and company secretary which he took part in the listing process and was responsible for the overall financial management and reporting, internal control and compliance, corporate finance and company secretarial matters	From September 2013 to December 2016

Mr. Wei Anli (魏安力), aged 64, is our independent non-executive Director. Mr. Wei was appointed as an independent non-executive Director on December 11, 2017. Mr. Wei graduated from Jilin University of Technology (吉林工業大學) (currently known as Jilin University) with a certificate in automotive engineering (internal combustion engine) in March 1980. From January 1980 to June 1982, Mr. Wei was the technician in the Standards Department of the Technology Bureau, Ministry of Agriculture and Machinery* (農機部科技局標準處). From July 1982 to September 1986, he was employed as the assistant engineer in the quality technology department of Agriculture and Machinery Administration, Ministry of Machinery* (機械部農機總局質量工藝處). From October 1986 to October 1988, he was the engineer in the technology department of the Agricultural Equipment Division, Machinery Committee* (機械委農業裝備司科技處). Mr. Wei was the engineer from November 1988 to December 1990 in the technology department, Engineering and Agricultural Machinery Division, Ministry of Machinery and Electronics* (機械電子部工程農機司科技處). He was the engineer and deputy director from December 1990 to May 1992 in the internal combustion engine department of the Engineering and Agricultural Machinery Division, Ministry of Machinery* (機械部工程農機司內燃機處). From May 1990 to October 1997, Mr. Wei had held various positions including engineer, deputy director, director, senior engineer in the Office of Internal Combustion Engine Industry Planning, the State Council* (國務院內燃機大行業規劃辦公室). From August 1997 until present, Mr. Wei has been working in China Internal Combustion Engine Industry Association* (中國內燃機工業協會) and has held various positions including chairman consultant, secretary-general and deputy secretary-general. He has been the duty secretary-general since July 2008 and is mainly responsible for the research on industry-related matters including industry structure, internal combustion engine products development and industry-related policies and regulations.

Mr. Wei is currently an independent director of Tianrun Crankshaft Co., Ltd (天潤曲軸股份有限公司) (listed on the Shenzhen Stock Exchange: stock code: 002283), Shandong Binzhou Bohai Piston Co., Ltd (山東濱州渤海活塞股份有限公司) (listed on the Shanghai Stock Exchange: stock code: 600960), Henan Province Xixia Automobile Water Pump Co., Ltd (河南省西峽汽車水泵股份有限公司) (listed on the Shenzhen Stock Exchange: stock code: 002536) and Weichai Power Yangzhou Diesel Engine Co., Ltd (濰柴動力揚州柴油機有限責任公司). Mr. Wei also served as an independent director of Kangyue Technology Co., Ltd (康躍科技股份有限公司) (listed on the Shenzhen Stock Exchange: stock code: 300391) from August 2010 to August 2016 and Zhejiang Dehong Automotive Electronic & Electrical Co., Ltd (浙江德宏汽車電子電器股份有限公司) (listed on the Shanghai Stock Exchange: stock code: 603701) from December 2010 to December 2016.

Save as disclosed above, each of our Directors:

(i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date;

(ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date;

(iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

As at the Latest Practicable Date, save as the interests of Mr. LZ Meng, Mr. ZW Liu, Mr. YX Zhang and Mr. EW Liu set out in the paragraph headed "Further details about our Directors and Shareholders – 13. Directors – (d) Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering" as set out in Appendix IV to this prospectus, each of our Directors did not have any interest in the Shares, underlying Shares or debentures of our Company and our associated corporations within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Mr. Wei Xilai (位喜來), aged 33, is the secretary to chairman who is responsible for the overall administration work of our Group. Mr. Wei joined our Group as an office clerk in September 6, 2006 and was promoted to be the secretary to chairman in February 2012. Mr. Wei graduated from Central Radio and Television University* (中央廣播電視大學) (currently known as The Open University of China* (國家開放大學)) with a diploma in Chinese linguistics and literatures in July 2011.

Mr. Xie Fei (謝飛), aged 43, is the executive deputy general manager who is responsible for the overall management of business operations of our Group. Mr. Xie graduated from Shenxian No. 2 Senior Vocational and Technical Secondary School* (深縣第二高級職業技術中學) in May 1994. Mr. Xie joined Hebei Cylinder Block Factory in March 1995 as a tooling workshop worker until the restructuring of Hebei Cylinder Block Factory in October 25, 2003. He joined our Group in October 2003 as a workshop supervisor. Mr. Xie was the production officer of Hebei Ruifeng Engine from May 2006 to July 2006, the vice plant manager of Hebei Ruifeng Engine from July 2006 to August 2007, the deputy minister of production of Hebei Ruifeng Engine from August 2007 to December 2009, the deputy minister of production of Hebei Ruifeng from December 2009 to May 2011, the production minister of Hebei Ruifeng from May 2011 to March 2016 and the assistant general manager of Hebei Ruifeng from March 2016 to February 2017. Since February 1, 2017, he has been the executive deputy general manager of our Group.

Mr. Wen Qingwei (文清威), aged 46, is the deputy general manager who is responsible for the overall product development and quality control of our Group. Mr. Wen graduated from Hengshui Vocational and Technical College of Hebei Province* (河北省衡水勞動技工學院) (currently known as Hengshui Senior Technical School of Hebei Province* (河北省衡水高級技工學校)) with a technician diploma in July 1992. Mr. Wen joined Hebei Cylinder Block Factory as a tooling workshop worker in July 1995 and was later promoted to be the trainee deputy technology manager in September 2001, until the restructuring of Hebei Cylinder Block Factory in October 25, 2003. Mr. Wen joined our Group in October 2003 as a trainee deputy technology manager. He was the quality control manager of Hebei Ruifeng Engine from August 2005 to December 2009, the quality control manager of Hebei Ruifeng from December 2009 to March 2016 and the assistant general manager of Hebei Ruifeng from March 2016 to February 2017. Since February 1, 2017, he has been the deputy general manager of our Group.

Mr. Wong Ka Wai (王加威), aged 38, is the chief financial officer and company secretary of our Group. He was appointed as our chief financial officer and company secretary in May 1, 2017. He is responsible for overseeing our Group's financial and banking management and company secretarial work. Mr. Wong graduated from the City University of Hong Kong with a bachelor of business administration in accountancy in November 2001 and is currently a member of the Association of Chartered Certified Accountants. Mr. Wong has also obtained a bachelor of laws from the University of London in August 2007. Prior to joining our Group, Mr. Wong has over 10 years of experience in the tax and accounting field. From September 2001 to May 2004 and from April 2005 to July 2006, Mr. Wong was employed as the tax consultant of KPMG. From July 2006 to January 2008, Mr. Wong was the senior accountant in the tax department of Ernest & Young and was subsequently transferred to the tax department of the Shanghai office as manager until May 2010. From November 2010 to September 2011, he was the manager of BASF East Asia Regional Headquarters Limited, a chemical company principally engaged in chemicals, glues, and electronic chemicals. From November 2011 to December 2012, Mr. Wong was employed as a manager of the individual tax business unit in PricewaterhouseCoopers. From January 2013 to March 2017, Mr. Wong was a chairman of Jai Dam Distribution (Hong Kong) Co. Ltd, a company principally engaged in distributorship of a European fashion and jewellery brand, and was responsible for business development and management of a French jewellery brand in China region. From February 2017 to June 2017, Mr. Wong was an independent non-executive director of Green International Holdings Limited (listed on the Main Board of the Stock Exchange: stock code: 2700). Mr. Wong is an independent non-executive director of Jujiang Construction Group Co., Ltd (listed on the Main Board of the Stock Exchange: stock code: 1459) since August 2015.

COMPANY SECRETARY

Our company secretary is Mr. Wong Ka Wai. He is employed by us on a full-time basis. Please refer to his biographical details in the sub-section headed “Senior Management” above.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of remuneration of our Directors for the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017 were approximately RMB593,000, RMB620,000, RMB790,000 and RMB422,000 respectively. Details of the arrangement for remuneration during the Track Record Period are set out in Note 8 to the Accountants’ Report in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors’ service agreements and letters of appointment referred to in the paragraph headed “Further Details about our Directors and Shareholders – 13. Directors” as set out in Appendix IV to this prospectus, the aggregate amount of directors’ fee and other emoluments payable to our Directors for the year ending December 31, 2017 is estimated to be approximately RMB889,000, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, their respective time commitment and responsibilities and the performance of our Group.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors as an inducement to join or upon joining us. No compensation was paid to, or is receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

EMPLOYEES

We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes. Please refer the paragraph headed "Business – Employees" of this prospectus for further details of our employees.

BOARD COMMITTEES

Audit committee

Our Company has established an audit committee with written terms of reference in compliance with Code C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our audit committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting, oversee the internal control and risk management systems of our Company. At present, our audit committee comprises Mr. Ren Keqiang, Mr. Yu Chun Kau and Mr. Wei Anli, all being independent non-executive Directors. Mr. Yu Chun Kau is the chairman of our audit committee.

Remuneration committee

Our Company has established a remuneration committee with written terms of reference in compliance with Code B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of our remuneration committee are to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group and review performance based remuneration. At present, our remuneration committee comprises Mr. LZ Meng, Mr. Ren Keqiang and Mr. Yu Chun Kau. Mr. Ren Keqiang is the chairman of our remuneration committee.

Nomination committee

Our Company has established a nomination committee with written terms of reference in compliance with Code A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of our nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board and to make recommendations to the Board on any proposed changes to the Board composition; to assess the independence of independent non-executive Directors; to identify individuals suitably qualified as potential Board members and to select or make recommendations to the Board regarding candidates to fill vacancies on our Board; and to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning of the Directors. At present, our nomination committee comprises Mr. LZ Meng, Mr. Yu Chun Kau and Mr. Wei Anli. Mr. Wei Anli is the chairman of the nomination committee.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us, among others, at the following circumstances:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(3) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares, or any other matters.

The term of appointment of our compliance advisor shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on December 11, 2017, under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for new Shares. The principal terms of the Share Option Scheme are summarized in the paragraph headed “Other Information – 16. Share Option Scheme” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (but without taking account any Shares which may be taken up under the Global Offering and without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares and the 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 will, directly or indirectly, be 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:

Long position in the Shares of our company

		As at the Latest Practicable Date		Immediately after the Capitalization Issue and Global Offering	
Name	**Capacity and nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Dragon Rise *(Note 1)*	Beneficial owner	6,850	68.51%	411,042,000	51.38%
Mr. LZ Meng	Interest of a controlled corporation	6,850	68.51%	411,042,000	51.38%
Ms. Zhao *(Note 2)*	Interest of spouse	6,850	68.51%	411,042,000	51.38%
Mr. ZW Liu	Interest of a controlled corporation	6,850	68.51%	411,042,000	51.38%
Ms. Meng Dongdong (孟冬冬) *(Note 3)*	Interest of spouse	6,850	68.51%	411,042,000	51.38%
Mr. YX Zhang	Interest of a controlled corporation	6,850	68.51%	411,042,000	51.38%

Name	Capacity and nature of interest	As at the Latest Practicable Date		Immediately after the Capitalization Issue and Global Offering	
		Number of Shares	Approximate percentage of shareholding in our Company	Number of Shares	Approximate percentage of shareholding in our Company
Ms. Xiao Zhiru (肖智茹) *(Note 4)*	Interest of spouse	6,850	68.51%	411,042,000	51.38%
Mr. EW Liu	Interest of a controlled corporation	6,850	68.51%	411,042,000	51.38%
Ms. Wang Sujuan (王素娟) *(Note 5)*	Interest of spouse	6,850	68.51%	411,042,000	51.38%
Radiant Path	Beneficial owner	1,131	11.31%	67,868,000	8.48%
Mr. Wang *(Note 6)*	Interest of controlled corporation	1,131	11.31%	67,868,000	8.48%
Ms. Yin *(Note 7)*	Interest of spouse	1,131	11.31%	67,868,000	8.48%
Great Ally	Beneficial owner	781	7.81%	46,864,000	5.86%
Mr. ZB Zhang *(Note 8)*	Interest of controlled corporation	781	7.81%	46,864,000	5.86%
Ms. Zhu Yunchuan (朱雲川) *(Note 9)*	Interest of spouse	781	7.81%	46,864,000	5.86%
Rosy Raise	Beneficial owner	781	7.81%	46,864,000	5.86%
Ms. ML Liu *(Note 10)*	Interest of controlled corporation	781	7.81%	46,864,000	5.86%
Mr. Li Xunye (李訓業) *(Note 11)*	Interest of spouse	781	7.81%	46,864,000	5.86%

Notes:

1. The issued shares of Dragon Rise are owned as to approximately 50.46%, 22.36%, 14.32% and 12.86% by Mr. LZ Meng, Mr. YX Zhang, Mr. ZW Liu and Mr. EW Liu respectively. On August 28, 2017, Mr. LZ Meng, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu entered into a concert party agreement to, among others, confirm their acting-in-concert agreement. Under the SFO, each of Mr. LZ Meng, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu is taken to be interested in the Shares beneficially owned by Dragon Rise.

2. Ms. Zhao is the spouse of Mr. LZ Meng. Under the SFO, she is taken to be interested in the Shares in which Mr. LZ Meng is interested.

3. Ms. Meng Dongdong (孟冬冬) is the spouse of Mr. ZW Liu. Under the SFO, she is taken to be interested in the Shares in which Mr. ZW Liu is interested.

4. Ms. Xiao Zhiru (肖智茹) is the spouse of Mr. YX Zhang. Under the SFO, she is taken to be interested in the Shares in which Mr. YX Zhang is interested.

5. Ms. Wang Sujuan (王素娟) is the spouse of Mr. EW Liu. Under the SFO, she is taken to be interested in the Shares in which Mr. EW Liu is interested.

6. Radiant Path is wholly owned by Mr. Wang. Under the SFO, he is taken to be interested in the Shares beneficially owned by Radiant Path.

7. Ms. Yin is the spouse of Mr. Wang. Under the SFO, she is taken to be interested in the Shares in which Mr. Wang is interested.

8. Great Ally is wholly owned by Mr. ZB Zhang. Under the SFO, he is taken to be interested in the Shares beneficially owned by Great Ally.

9. Ms. Zhu Yunchuan (朱雲川) is the spouse of Mr. ZB Zhang. Under the SFO, she is taken to be interested in the Shares in which Mr. ZB Zhang is interested.

10. Rosy Raise is wholly owned by Ms. ML Liu. Under the SFO, she is taken to be interested in the Shares beneficially owned by Rosy Raise.

11. Mr. Li Xunye (李訓業) is the spouse of Ms. ML Liu. Under the SFO, he is taken to be interested in the Shares in which Ms. ML Liu is interested.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (but without taking into account Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), have an interest or a short position in the 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, 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. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

The following is a summary of the authorized and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Global Offering:

Number		*HK$*
Authorized share capital:		
10,000,000,000	Shares of HK$0.10 each	1,000,000,000.00
Issued and to be issued and fully paid or credited as fully paid:		
9,999	Shares in issue as at the date of this prospectus	999.90
599,990,001	Shares to be issued pursuant to the Capitalization Issue	59,999,000.10
200,000,000	Shares to be issued pursuant to the Global Offering	20,000,000.00
800,000,000	Total	80,000,000.00

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the completion of the Global Offering and the Capitalization Issue will be as follows:

Issued and to be issued and fully paid or credited as fully paid:		
9,999	Shares in issue as at the date of this prospectus	999.90
599,990,001	Shares to be issued pursuant to the Capitalization Issue	59,999,000.10
200,000,000	Shares to be issued pursuant to the Global Offering	20,000,000.00
30,000,000	Shares to be issued if the Over-allotment Option is exercised in full	3,000,000.00
830,000,000	Total	83,000,000.00

Assumptions

The above table assumes that the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates granted to our Directors for the allotment and issue of Share and the repurchase of Shares as referred to below or otherwise.

Ranking

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects will all the existing Shares in issue or to be issued as set out in the above table, and will qualify for all dividends or other distributions declared, made or paid on, or any other rights and benefits attaching to or accruing from, the Shares after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted the general unconditional mandate to allot, issue and deal in a total number of Shares of not more than the aggregate of:

(i) 20% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue, but excluding any Shares which may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme; and

(ii) the total number of our Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate (as mentioned below).

The general unconditional mandate does not apply to situations where our Directors allot, issue or deal with Shares by way of a rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the Global Offering or the Capitalization Issue or upon the exercise of the Over-allotment Option.

The general unconditional mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;

- on the date by which our next annual general meeting is required by the Articles, the Companies Law or any applicable Cayman Islands laws to be held; or

- when the authority given to our Director is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the general mandate to issue shares, please refer to the section headed "Further details about our Company – 3. Resolutions in writing of our Shareholders passed on December 11, 2017" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted the Repurchase Mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue, but excluding any Shares that may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme.

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant requirements under the Listing Rules is set out in the paragraph headed "Further details about our Company – 7. Repurchase by our Company of our own securities" in Appendix IV to this prospectus.

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles, the Companies Law or any applicable Cayman Islands laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Repurchase Mandate, please refer to the paragraph headed "Further details about our Company – 3. Resolutions in writing of our Shareholders passed on December 11, 2017" in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarized in the section headed "Other information – 16. Share Option Scheme" in Appendix IV to this prospectus.

You should read the following discussion and analysis with our combined financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. The combined financial information included in the Accountants' Report has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2014, 2015 and 2016 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a combined basis.

OVERVIEW

We are a specialized manufacturer of cylinder blocks, a major structure in automobile engines, based in China. We ranked fourth among specialized cylinder block manufacturers in China in terms of sales volume in 2016, with a market share of approximately 3.0%, according to the Frost & Sullivan Report. In addition, we are also an established producer of cylinder heads.

The size of our operations and significant production capacity allow us to take on some of the leading automobile manufacturers in China. As at June 30, 2017, we owned and operated a total of three precision casting lines and 13 mechanical processing lines (including 11 for cylinder blocks, one for cylinder heads and one for other ancillary cylinder block components), with a designed monthly production capacity of approximately 74,000 cylinder blocks and 13,000 cylinder heads, respectively. Our production facilities are located in Hengshui City, Hebei Province, China. In the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, utilization rate of our mechanical processing lines for cylinder blocks was approximately 74.4%, 78.7%, 76.4% and 75.0%, respectively, while utilization rate of our mechanical processing lines for cylinder heads reached approximately 70.1%, 78.5%, 96.3% and 97.9%, respectively, in the same periods.

We have experienced significant growth during the Track Record Period. Our revenue grew from RMB432.0 million for the year ended December 31, 2014 to RMB481.1 million for the year ended December 31, 2015, and further to RMB669.9 million for the year ended December 31, 2016. For the six months ended June 30, 2016 and 2017, our revenue was RMB308.6 million and RMB319.9 million, respectively. The number of cylinder blocks we sold also grew significantly during the Track Record Period from approximately 274,000 units in the year ended December 31, 2014 to approximately 322,000 units in the year ended December 31, 2015, and further to approximately 548,000 units in the year ended December 31, 2016. The number of cylinder blocks we sold grew from approximately 245,000 units for the six months ended June 30, 2016 to approximately 296,000 units for the six months ended June 30, 2017.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on May 2, 2017 as an exempted company with limited liability under the Cayman Islands Companies Law. Our Company is an investment holding company and has not carried out any business since the date of its incorporation, except for the Reorganization as more fully explained in the section headed "History, Reorganization and Corporate Structure" to this Prospectus.

Upon completion of the Reorganization on August 2, 2017, our Company became the holding company of the companies now comprising our Group. The financial information has been prepared and presented as a continuation of the financial statements of Hebei Ruifeng with the assets and liabilities of Hebei Ruifeng recognized and measured at their historical carrying amounts prior to the Reorganization. Intra-Group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the financial information.

In addition, the financial information in this prospectus has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), including all applicable individual International Financial Reporting Standards and International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

The IASB has recently issued a number of new and revised IFRSs. For the purpose of preparing the financial information, our Group has adopted all applicable new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2017. Please refer to note 27 to the Accountants' Report in Appendix I to this prospectus for information regarding the new and revised accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2017.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

General Economic Condition and Demand for Vehicles and Vehicle-related Products in China

We are primarily engaged in the design and development, production and sales of cylinder blocks, cylinder heads and certain other ancillary products for cylinder blocks in China. Our customers include many of the top automobile manufacturers and engine manufacturers located in China. Our results of operations are mainly affected by the growth of China's economy and the demand for vehicles and vehicle-related products in China.

China is one of the fastest growing economies in the world. According to the Frost & Sullivan Report, the nominal GDP of China increased from RMB48.4 trillion in 2011 to RMB74.4 trillion in 2016, representing a CAGR of 9.0%. During the same period, China's per capita GDP grew from RMB36,018 to RMB53,980, representing a CAGR of 8.4%, and is expected to reach RMB77,530 by 2021, representing a CAGR of 7.5% from 2016. The continuous growth in China's economy has increased the level of per capita consumption expenditure of urban household in China, which grew at a CAGR of 5.0% from 2011 to 2016, according to the Frost & Sullivan Report. It has also led to increases in the purchasing power of China's household and demand for vehicles and vehicle-related products in China. Other factors, such as the trends towards urbanization, improvements in China's transportation infrastructure and changes in the PRC government's policies relating to the automotive industry, may also have a substantial impact on the demand for vehicles and vehicle-related products in China. According to the Frost & Sullivan Report, sales volume of domestically-produced passenger and commercial vehicles increased from 18.5 million in 2011 to 28.1 million in 2016, representing a CAGR of 8.7%. Consistent with the increase in sales volume of passenger and commercial vehicles, sales volume of domestically-produced cylinder blocks in China also increased from 18.4 million in 2011 to 28.2 million in 2016, representing a CAGR of 8.9%, and is expected to reach 39.8 million by 2021, representing a CAGR of 7.1% from 2016, according to the Frost & Sullivan Report. We believe the growth of China's economy will continue to contribute to the growth in our revenue and profits. However, any significant adverse change in economic growth and condition, market demand or government policies may negatively affect our results of operations.

Our Product Mix

Our product mix directly impacts our results of operations and financial conditions. We primarily manufacture cylinder blocks used for a wide variety of vehicles, including passenger vehicles, commercial vehicles and industrial vehicles. We also manufacture cylinder heads as well as certain other structural components of cylinder blocks, primarily including main bearing caps and flywheels.

During the Track Record Period, we expanded our sales in cylinder blocks for passenger vehicles in response to the increased market demand for spare parts and components for passenger vehicles. According to the Frost & Sullivan Report, such demand is expected to continue to increase. As a result, revenue from our sales of cylinder blocks used in passenger vehicles grew significantly from 6.4% of our total revenue from sales of cylinder blocks in the year ended December 31, 2014 to 43.0% of our total revenue from the sales of cylinder blocks in 2016. Over the same periods, revenue from our sales of cylinder blocks for commercial vehicles decreased from 86.7% of our total revenue from sales of cylinder blocks for the year ended December 31, 2014 to 46.9% for the year ended December 31, 2016. Going forward, we plan to continue to increase our production and sale of cylinder blocks for passenger vehicles, in particular aluminum alloy cylinder blocks that can be used in lighter-weight engines.

Cylinder blocks for different types of vehicles often carry different unit selling prices and margins and changes in our product mix may materially affect our overall revenue, cost of sales and margins. Cylinder blocks used in commercial vehicles typically carry higher gross margins than cylinder blocks for passenger vehicles and industrial vehicles. In the year ended December 31, 2016, gross margin for cylinder blocks used in commercial vehicles was 35.9%, compared with 16.3% and 22.9% for those used in passenger vehicles and industrial vehicles, respectively. Change in product mix from sales of cylinder blocks used in commercial vehicles towards more sales of cylinder blocks used in passenger vehicles had a downward pressure on overall gross margins, which decreased from 32.3% in the year ended December 31, 2014 to 28.8% in the year ended December 31, 2016. This decrease was partially offset by increases in gross margin of cylinder blocks used in each of passenger vehicles, commercial vehicles and industrial vehicles over the period. In addition, the substantially increased sales resulted in substantial growth in gross profit despite the decrease in overall gross margins.

In addition, our cylinder head products generally have a higher gross profit margin than our cylinder block products. In the year ended December 31, 2016, gross margin for sales of cylinder heads was 44.2% compared to 26.1% for cylinder blocks. However, revenue from sales of cylinder heads, which we largely produced for use in commercial vehicles, decreased over the Track Record Period from 23.2% in the year ended December 31, 2014 to 13.5% in the year ended December 31, 2016. Going forward, we plan to allocate more resources to significantly increase manufacture and sales of cylinder heads, in particular cylinder heads used in passenger vehicles.

Our Production Capacity

The growth of our revenue depends to a large extent on our ability to expand our production and production capacity. As at June 30, 2017, we owned and operated a total of three precision casting lines and 13 mechanical processing lines (including 11 for cylinder blocks, one for cylinder heads and one for other ancillary cylinder block components). For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, the designed production capacity of our mechanical processing lines for cylinder blocks was approximately 380,000 units, 424,000 units, 698,000 units and 442,000 units, respectively, with a utilization rate of approximately 74.4%, 78.7%, 76.4%, and 75.0%, respectively, in the same periods. Our production capacity over the Track Record Period increased primarily due to the commencement of production on new mechanical processing lines for cylinder blocks used in passenger vehicles, including one mechanical processing line in the year ended December 31, 2015 and an additional four in the year ended December 31, 2016. We expect to continue to purchase production equipment and set up additional production lines in order to increase our production capacity in response to increasing customer demand. For details about our production capacity and utilization rate, please refer to the paragraph headed "Business – Production and Production Facilities" in this prospectus.

Source of Rough Cast Products

In the production of our cylinder block and cylinder head products, we either produce rough cast products ourselves using precision casting or procure such rough cast products from the customers or third-party suppliers we or they identify. The source of rough cast products is agreed between ourselves and individual customers.

In general, cylinder blocks and cylinder heads for which we manufacture rough cast products ourselves typically have had relatively higher gross margins than those using rough cast products provided by customers or outside suppliers. We therefore have increased the percentage of rough cast products we produced ourselves over the Track Record Period. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, approximately 118,000, 169,000, 287,000 and 196,000, respectively, of the cylinder blocks and cylinder heads we produced included rough cast products we had manufactured ourselves, representing approximately 30.6%, 37.5%, 42.6% and 51.6%, respectively, of the total cylinder blocks and cylinder heads we produced during the same periods. Going forward, we intend to increase the percentage of cylinder blocks and cylinder heads for which we manufacture rough cast products ourselves. Such production model typically provides us with relatively higher gross margins, and we believe automobile manufacturers and engine producers are increasingly inclined to outsource casting of rough cast engine spare parts to specialized external producers, as supported in the Frost & Sullivan Report.

In addition, for a small portion of cylinder blocks and cylinder heads, we carry out mechanical processing on rough cast products provided by customers rather than being required to purchase these rough cast products from them. As a result, the sales price and cost of sales for products using this model are relatively lower and margins are relatively higher. In the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, revenues from sales of products using this model were RMB28.9 million, RMB35.7 million, RMB24.7 million, RMB13.9 million and RMB15.3 million, respectively, representing 6.7%, 7.4%, 3.7%, 4.5% and 4.8%, respectively, of total revenues for those periods.

Pricing of Our Products

Our revenue and profitability are affected by the pricing of our products, which is primarily based on negotiations with our customers, taking into consideration market conditions, product specifications, supply and demand of comparable products, size of the purchase orders and source of rough cast products. We generally sell our products to large automobile manufacturers and engine manufacturers located in the PRC. During the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we sold approximately 274,000, 322,000, 548,000, 245,000 and 296,000 cylinder blocks, respectively, at an average selling price of approximately RMB1,125.1 per unit, RMB1,097.4 per unit, RMB983.5 per unit, RMB1,004.5 per unit and RMB886.4 per unit, respectively. The decline in average selling price of our cylinder blocks over the Track Record Period was primarily due to increased sales of cylinder blocks for passenger vehicles, which were typically smaller and had lower average selling prices than our other cylinder block products. During the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we sold approximately 165,000, 171,000, 159,000, 80,000 and 78,000 cylinder heads, respectively, at an average selling price of approximately RMB608.7 per unit, RMB570.4 per unit, RMB572.7 per unit, RMB561.7 per unit and RMB586.9 per unit, respectively. The selling prices of our products are generally negotiated annually in connection with each sales agreement. Such prices may be subject to adjustment under certain circumstances, such as any substantial changes in market conditions.

Supply and Cost of Raw Materials and Key Components

Cost of raw materials and key components represents a substantial part of our cost of sales. We primarily procure raw materials and key components from third-party suppliers selected by ourselves that are based in the PRC. In addition, certain of our supply arrangements involve the purchase of components and ancillary materials from our customers themselves or suppliers they designate. The raw materials we procure primarily include crude iron, steel scrap, casting sand, coated sand, coal dust and coating. The key components we procure primarily include rough cast cylinder blocks and rough cast cylinder heads, reaction discs and steel sheets.

Any fluctuations in the supply and purchase prices of raw materials and key components may materially affect our overall cost of production and our profitability. For example, for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, the cost of rough cast cylinder blocks and cylinder heads amounted to 45.0%, 45.2%, 43.8%, 48.4% and 42.8% of our total cost of raw materials, respectively. During the same periods, the cost of crude iron and steel scrap amounted to 5.3%, 5.0%, 10.7%, 4.5% and 11.3% of our total cost of raw materials, respectively. The purchase price of crude iron fluctuated between RMB1,333 per ton and RMB2,906 per ton between January 1, 2014 and June 30, 2017, while the purchase price of steel scrap fluctuated between RMB983 per ton and RMB2,669 per ton during the same periods, based on our internal records. The fluctuations in the purchase price of our key raw materials (including crude iron and steel scrap) were primarily due to their general fluctuations in the demand and supply in China during these periods, which impacted our raw material costs and profitability during the Track Record Period.

Competition

We face competition from domestic and overseas manufacturers of similar products for our customers in the PRC. The market concentration for cylinder blocks produced by specialized cylinder block manufacturers is high as the top 10 specialized cylinder block producers in the PRC accounted for approximately 45.7% of the total sales revenue in the PRC in 2016, according to the Frost & Sullivan Report. As such, we believe there are significant barriers to entry for new participants and our position as the fourth largest independent cylinder block manufacturer in China provides us with a significant competitive advantage. Please refer to the paragraph headed "Business – Our Competitive Strengths – The fourth largest specialized manufacturer of cylinder blocks and an established producer of cylinder heads in China" in this prospectus for further details. However, a significant percentage of cylinder blocks are produced by automobile and engine manufacturers themselves (which accounted for approximately 54.7% of the cylinder blocks produced in China in 2016 according to the Frost & Sullivan Report). We believe our own results of operations will be affected by trends going forward regarding what percentage of the cylinder blocks that manufacturers of automobiles and engines in China will purchase from external automobile spare part manufacturers in general.

In addition, if we cannot provide products with high quality at a competitive price, our customers may not continue to purchase our products and our financial position and operation results will be adversely affected. Please refer to the section headed "Industry Overview" and the paragraph headed "Business – Competition" in this prospectus for further details.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain. Set forth below are discussions of the accounting policies applied in preparing our financial information that we believe are most dependent on the application of these estimates and judgments and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided that it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

Sale of Goods

Revenue is recognized when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any sales discounts.

Rendering of Services

Revenue from the rendering of processing services is recognized when the related services are rendered.

Dividends

Dividend income from unlisted investments is recognized when the equity holder's right to receive payment is established.

Interest Income

Interest income is recognized as it accrues using the effective interest method.

Government Grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognized as income on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate our Group for the cost of an asset are recognized as deferred income on a systematic basis over the useful life of the asset.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

	Estimated Useful Lives
Plant and buildings	20 – 30 years
Machinery and equipment	3 – 10 years
Motor vehicles and others	3 – 5 years

Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated on a weighted average cost basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Trade and Other Receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Judgment and Estimates

Impairment Losses for Non-current Assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognized in accordance with accounting policy for impairment of non-current assets.

When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to the level of revenue and amount of operating costs. Our Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charges or reversal of impairment in future periods.

We have not recognized any impairment loss for non-current assets over the Track Record Period.

Impairment Losses for Doubtful Debts

Our Group estimates impairment losses for doubtful debts resulting from the inability of the customers and other debtors to make the required payments. Our Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness 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.

In the years ended December 31, 2015 and 2016, we recognized impairment losses of RMB1.3 million and RMB0.6 million, respectively, in respect of doubtful debts. Other than this, we have not recognized any impairment loss for doubtful debts over the Track Record Period.

Recognition of Deferred Tax Assets

Deferred tax assets in respect of deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to our future operating performance and require a significant level of judgment exercised by the management. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized in future periods.

Warranty Provisions

We make provision under the warranties we give on sale of our cylinder blocks and cylinder heads after taking into account our recent claim experience. As we are continually upgrading our product designs, it is possible that the recent claim experience is not indicative of future claims that we will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future periods.

RESULTS OF OPERATIONS

The following table presents our combined statements of profit or loss and other comprehensive income during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
				(unaudited)	
Revenue	431,969	481,127	669,894	308,577	319,948
Cost of sales	(292,449)	(321,546)	(476,793)	(221,843)	(225,830)
Gross profit	139,520	159,581	193,101	86,734	94,118
Other income	4,449	4,559	5,056	2,513	4,495
Selling expenses	(20,154)	(21,009)	(25,857)	(12,276)	(12,958)
Administrative expenses	(34,547)	(43,861)	(50,270)	(22,473)	(31,298)
Profit from operations	89,268	99,270	122,030	54,498	54,357
Finance costs	(12,581)	(12,077)	(13,064)	(6,739)	(5,664)
Profit before taxation	76,687	87,193	108,966	47,759	48,693
Income tax	(12,887)	(13,768)	(15,241)	(6,542)	(6,674)
Profit for the year/period	63,800	73,425	93,725	41,217	42,019

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We generate revenue primarily from the sales of cylinder blocks, cylinder heads and, to a lesser extent, from the sales of certain ancillary components of cylinder blocks. For the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, our total revenue was RMB432.0 million, RMB481.1 million, RMB669.9 million, RMB308.6 million and RMB319.9 million, respectively.

The following table sets forth our revenue, sales volume and average selling price by segment and major product type during the Track Record Period:

Product Type	For the year ended December 31,												For the six months ended June 30,							
	2014				2015				2016				2016				2017			
	Revenue	Percentage of total	Sales volume	Average selling price	Revenue	Percentage of total	Sales volume	Average selling price	Revenue	Percentage of total	Sales volume	Average selling price	Revenue	Percentage of total	Sales volume	Average selling price	Revenue	Percentage of total	Sales volume	Average selling price
	RMB'000	%	Units	RMB	RMB'000	%	Units	RMB	RMB'000	%	Units	RMB	RMB'000	%	Units	RMB	RMB'000	%	Units	RMB
													(unaudited)							
Cylinder blocks																				
Cylinder blocks for passenger vehicles	19,651	4.6	42,312	464.4	58,508	12.1	75,850	771.4	231,981	34.6	289,678	800.8	93,556	30.3	113,362	825.3	124,446	38.9	170,314	730.7
Cylinder blocks for commercial vehicles	267,725	62.0	206,123	1,298.9	263,466	54.8	212,319	1,240.9	252,533	37.7	204,376	1,235.6	125,624	40.7	104,494	1,202.2	106,231	33.2	94,426	1,125.0
Cylinder blocks for industrial vehicles	21,243	4.9	25,857	821.6	31,864	6.6	34,253	930.3	54,430	8.2	53,939	1,009.1	26,695	8.7	26,914	991.9	31,882	10.0	31,483	1,012.7
Subtotal	308,619	71.5	274,292	1,125.1	353,838	73.5	322,422	1,097.4	538,944	80.5	547,993	983.5	245,875	79.7	244,770	1,004.5	262,559	82.1	296,223	886.4
Cylinder heads	100,390	23.2	164,914	608.7	97,472	20.3	170,897	570.4	90,919	13.5	158,768	572.7	45,065	14.6	80,233	561.7	45,611	14.3	77,721	586.9
Ancillary cylinder block components	22,960	5.3	2,633,629	8.7	29,817	6.2	3,500,864	8.5	40,031	6.0	4,552,967	8.8	17,637	5.7	2,062,397	8.6	11,778	3.6	1,088,689	10.8
Total	431,969	100.0			481,127	100.0			669,894	100.0			308,577	100.0			319,948	100.0		

Sales of Cylinder Blocks

We generate revenue primarily from the sales of cylinder blocks. Our cylinder blocks are divided into three main categories based on the type of vehicle in which they are used, including passenger vehicles, commercial vehicles and industrial vehicles. During the Track Record Period, our cylinder block sales grew significantly due to increases in our revenue from sales of cylinder blocks for passenger vehicles and industrial vehicles, partially offset by decreases in our revenue from sales of cylinder blocks for commercial vehicles.

During the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we sold approximately 274,000, 322,000, 548,000, 245,000 and 296,000 cylinder blocks, respectively, at an average selling price of approximately RMB1,125.1 per unit, RMB1,097.4 per unit, RMB983.5 per unit, RMB1,004.5 per unit and RMB886.4 per unit, respectively. In particular, our cylinder blocks for passenger vehicles increased significantly both in terms of sales volume and revenue, as customer demand for such products grew driven by increasing sales of passenger vehicles in China. As a result, revenue from sales of cylinder blocks used in passenger vehicles increased from 6.4% of our total revenue from cylinder block sales in 2014 to 43.0% in 2016, and further to 47.4% in the six months ended June 30, 2017.

Our revenue from the sales of cylinder blocks for industrial vehicles also increased during the Track Record Period, primarily due to increased sales of our Yuchai series of four-cylinder cylinder blocks to an existing customer.

During the Track Record Period, the average selling price of cylinder blocks for passenger vehicles ranged from approximately RMB464.4 per unit to approximately RMB825.3 per unit, which was relatively lower than the average selling price of cylinder blocks for commercial vehicles (ranging from approximately RMB1,125.0 per unit to approximately RMB1,298.9 per unit) and industrial vehicles (ranging from approximately RMB821.6 per unit to approximately RMB1,012.7 per unit). As a result, the higher proportion of sales of the lower priced cylinder blocks for passenger vehicles led to a decrease in the average selling price of our cylinder block products during the Track Record Period.

Sales of Cylinder Heads

We generate a portion of our revenue from the sales of cylinder heads. During the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we sold approximately 165,000, 171,000, 159,000, 80,000 and 78,000 cylinder heads, respectively, at an average selling price of approximately RMB608.7 per unit, RMB570.4 per unit, RMB572.7 per unit, RMB561.7 per unit and RMB586.9 per unit, respectively. The decrease in our revenue from cylinder head sales during the Track Record Period was primarily attributable to the decreased sales of cylinder heads used in commercial vehicles, which was consistent with the decreased sales of our cylinder blocks for commercial vehicles as both products were often sold together.

The average selling price of cylinder heads decreased from approximately RMB608.7 per unit for the year ended December 31, 2014 to approximately RMB570.4 per unit for the year ended December 31, 2015, primarily attributable to increased sales of cylinder heads for which rough cast products were provided by customers for our processing, which had relatively lower selling prices. The average selling price of cylinder heads remained relatively stable at approximately RMB570.4 per unit and RMB572.4 per unit for the years ended December 31, 2015 and 2016, respectively. The average selling price of cylinder heads increased from approximately RMB561.7 per unit for the six months ended June 30, 2016 to approximately RMB586.9 per unit for the six months ended June 30, 2017, primarily attributable to increased sales of the higher priced cylinder head products for which we performed additional mechanical processing steps in the first half of 2017.

Sales of Ancillary Cylinder Block Components

In addition to cylinder blocks and cylinder heads, we also produce and sell certain ancillary, structural components of cylinder blocks, which primarily include main bearing caps and flywheels.

Cost of Sales

Our cost of sales represents our cost of production and primarily consists of the following components:

- *Raw materials and key components:* Our cost of raw materials and key components includes the costs of rough cast cylinder blocks and rough cast cylinder heads, steel scrap, crude iron and other raw materials, such as cylinder lines and other repair and maintenance materials.

- *Staff costs:* Staff costs primarily consist of the salaries and benefits of employees in our production.

- *Depreciation and amortization:* Depreciation and amortization represents the depreciation of our production facilities and other manufacturing equipment and fixed assets used in our production process and amortization of land lease prepayments.

- *Service expenses:* Service expenses represent expenses incurred in connection with janitorial, canteen, cleaning and other non-essential support services provided by third-party service providers and outsourcing of precision casting of certain rough cast ancillary cylinder block products.

- *Utilities:* Utilities represent the cost of water and electricity used in our production process.

The following table sets forth a breakdown of our cost of sales during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Raw materials and key components	188,449	64.4	202,776	63.1	322,221	67.6	145,602	65.7	137,696	61.0
Staff costs	34,226	11.7	37,129	11.5	47,731	10.0	23,689	10.7	23,641	10.5
Depreciation and amortization	27,083	9.3	34,569	10.8	41,616	8.7	22,467	10.1	22,848	10.1
Service expenses	21,513	7.4	20,441	6.4	29,371	6.2	13,571	6.1	19,333	8.6
Utilities	21,178	7.2	26,631	8.2	35,854	7.5	16,514	7.4	22,312	9.8
Total	292,449	100.0	321,546	100.0	476,793	100.0	221,843	100.0	225,830	100.0

Segment Cost of Sales

The following table sets forth a breakdown of our cost of sales by segment and major product type during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Cost of sales for cylinder blocks										
Cylinder blocks for passenger vehicles	20,556	7.0	51,517	16.0	194,165	40.7	80,557	36.4	98,028	43.4
Cylinder blocks for commercial vehicles	179,443	61.4	168,138	52.3	161,960	34.0	81,896	36.9	67,935	30.1
Cylinder blocks for industrial vehicles	18,984	6.5	26,767	8.3	41,964	8.8	21,156	9.5	23,269	10.3
Subtotal	218,983	74.9	246,422	76.6	398,089	83.5	183,609	82.8	189,232	83.8
Cost of sales for cylinder heads	57,174	19.6	54,960	17.1	50,730	10.6	25,625	11.6	25,713	11.4
Cost of sales for ancillary cylinder block components	16,292	5.5	20,164	6.3	27,974	5.9	12,609	5.6	10,885	4.8
Total	292,449	100.0	321,546	100.0	476,793	100.0	221,843	100.0	225,830	100.0

Cost of Sales for Cylinder Blocks

During the Track Record Period, segment cost of sales related to cylinder blocks grew significantly primarily due to an increase in sales volume. In particular, our cost related to the sales of cylinder blocks for passenger vehicles and industrial vehicles increased, partially offset by decreases in our cost related to the sales of cylinder blocks for commercial vehicles.

Cost of Sales for Cylinder Heads

The decrease in segment cost of sales related to cylinder heads during the Track Record Period was consistent with the decreased sales of cylinder heads over the period.

Cost of Sales for Ancillary Cylinder Block Components

Segment cost of sales related to the ancillary cylinder block components increased from RMB16.2 million for the year ended December 31, 2014 to RMB20.1 million for the year ended December 31, 2015, and further to RMB28.0 million for the year ended December 31, 2016, primarily due to increased sales of our main bearing cap products. Segment cost of sales related to the ancillary cylinder block components decreased by 13.5% from RMB12.6 million for the six months ended June 30, 2016 to RMB10.9 million for the six months ended June 30, 2017, primarily due to decreased sales of our main bearing cap products.

Sensitivity Analysis

For illustration purpose only, we set out below a sensitivity analysis of our profit for the year/period with reference to the fluctuation on the total cost of raw materials and key components during the Track Record Period. The following table demonstrates the impact of the hypothetical increase or decrease in the total cost of our raw materials and key components on our profit for the year/period, while all other factors remain unchanged:

	Hypothetical increase/decrease of 5.0%	**Hypothetical increase/decrease of 10.0%**	**Hypothetical increase/decrease of 15.0%**
	(RMB'000)	***(RMB'000)***	***(RMB'000)***
Decrease/Increase in our profit for the year/period:			
Year ended December 31, 2014	8,009	16,018	24,027
Year ended December 31, 2015	8,618	17,236	25,854
Year ended December 31, 2016	13,694	27,389	41,083
Six months ended June 30, 2017	5,852	11,704	17,556

Gross Profit and Gross Profit Margin

For the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, our gross profit was RMB139.5 million, RMB159.6 million, RMB193.1 million, RMB86.7 million and RMB94.1 million, respectively, and our gross profit margin was 32.3%, 33.2%, 28.8%, 28.1% and 29.4%, respectively, for the same periods.

The following table sets forth our gross profit and gross profit margin by segment and major product type during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Sales of cylinder blocks										
Cylinder blocks for passenger vehicles	(905)	(4.6)	6,991	11.9	37,816	16.3	12,999	13.9	26,418	21.2
Cylinder blocks for commercial vehicles	88,282	33.0	95,328	36.2	90,573	35.9	43,728	34.8	38,296	36.0
Cylinder blocks for industrial vehicles	2,259	10.6	5,097	16.0	12,466	22.9	5,539	20.7	8,613	27.0
Subtotal	89,636	29.0	107,416	30.4	140,855	26.1	62,266	25.3	73,327	27.9
Sales of cylinder heads	43,216	43.0	42,512	43.6	40,189	44.2	19,440	43.1	19,898	43.6
Sales of ancillary cylinder block components	6,668	29.0	9,653	32.4	12,057	30.1	5,028	28.5	893	7.6
Total	139,520	32.3	159,581	33.2	193,101	28.8	86,734	28.1	94,118	29.4

Our gross profit grew steadily during the Track Record Period, primarily attributable to an increase in sales of our cylinder block products, particularly sales of cylinder blocks used in passenger vehicles and industrial vehicles over the period.

Our gross profit margin increased from 32.3% for the year ended December 31, 2014 to 33.2% for the year ended December 31, 2015, reflecting an increase in gross profit margin from sales of all three product segments, particularly the increases in (i) gross profit margin from cylinder block sales from 29.0% in 2014 to 30.4% in 2015 as a result of an increase in gross profit margin from sales of all three types of cylinder blocks we produced, partially offset by a higher proportion of sales of cylinder blocks for passenger vehicles which had a relatively lower profit margin, and (ii) gross profit margin from sales of ancillary cylinder block components from 29.0% in 2014 to 32.4% in 2015 mainly due to increased sales of our main bearing caps which had a relatively higher profit margin.

Gross profit margin decreased from 33.2% for the year ended December 31, 2015 to 28.8% for the year ended December 31, 2016, primarily reflecting a decrease in gross profit margin from sales of our cylinder block products from 30.4% in 2015 to 26.1% in 2016 as a result of a higher proportion of sales of cylinder blocks for passenger vehicles which had a relatively lower profit margin, partially offset by a slight increase in gross profit margin from sales of cylinder heads from 43.6% in 2015 to 44.2% in 2016.

Gross profit margin increased from 28.1% for the six months ended June 30, 2016 to 29.4% for the six months ended June 30, 2017, primarily reflecting an increase in gross profit margin from sales of our cylinder block products from 25.3% in the six months ended June 30, 2016 to 27.9% for the six months ended June 30, 2017 as a result of an increase in gross profit margin from sales of all three types of cylinder blocks we produced, partially offset by a higher proportion of sales of cylinder blocks for passenger vehicles which had a relatively lower profit margin. The increase in gross profit margin from sales of our cylinder block products was partially offset by a decrease in gross profit margin from sales of ancillary cylinder block components from 28.5% for the six months ended June 30, 2016 to 7.6% for the six months ended June 30, 2017 mainly due to decreased sales of a model of main bearing cap which had a relatively higher profit margin.

Other Income

Other income primarily consists of (i) government grants we received on a one-off basis from local government authorities related to construction of production facilities and purchase of production equipment, (ii) interest income from available-for-sale investments we held for wealth management purposes and bank deposits, (iii) dividend income from unquoted equity investments, and (iv) net gain on disposal of property, plant and equipment.

The following table sets forth the amount of other income during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Government grants[(1)]	3,489	78.5	3,868	84.8	3,982	78.8	1,880	74.8	4,010	89.1
Interest income	565	12.7	176	3.9	573	11.3	143	5.7	58	1.3
Dividend income from unquoted equity investments	340	7.6	360	7.9	462	9.1	462	18.4	380	8.5
Net gain on disposal of property, plant and equipment	4	0.1	168	3.7	–	–	–	–	22	0.5
Others	51	1.1	(13)	(0.3)	39	0.8	28	1.1	25	0.6
Total	4,449	100.0	4,559	100.0	5,056	100.0	2,513	100.0	4,495	100.0

Note:

(1) The government grants we received were one-off in nature and there were no conditions attached to such grants.

Selling Expenses

Selling expenses primarily consist of (i) transportation expenses relating to delivery of products to our customers, (ii) provisions made with respect to the warranties we provide on our products, and (iii) staff costs related to the salaries and benefits of our sales and marketing personnel.

Our selling expenses increased over the Track Record Period primarily due to increased transportation expenses incurred in connection with our increased sales. The following table sets forth a breakdown of our selling expenses during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Transportation expenses	13,393	66.5	14,083	67.0	18,039	69.7	8,136	66.3	8,365	64.6
Product warranty provision	2,448	12.1	2,778	13.2	2,947	11.4	1,662	13.5	1,342	10.4
Staff costs	1,509	7.5	1,573	7.5	2,241	8.7	1,105	9.0	1,319	10.2
Others[(1)]	2,804	13.9	2,575	12.3	2,630	10.2	1,373	11.2	1,932	14.8
Total	20,154	100.0	21,009	100.0	25,857	100.0	12,276	100.0	12,958	100.0

Note:

(1) Others primarily consist of business entertainment and travel expenses incurred by our sales and marketing personnel.

Administrative Expenses

Administrative expenses primarily consist of (i) research and development expenses, (ii) staff costs related to the salaries and benefits of our administrative personnel, (iii) tax surcharges, (iv) office expenses, (v) depreciation and amortization of office buildings and equipment, (vi) expenses incurred in connection with the Listing, and (vii) impairment loss on trade receivables.

Our administrative expenses increased over the Track Record Period primarily due to increasing expenses related to research and development and incurring expenses in relation to the Listing starting in the year ended December 31, 2016. The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Research and development expenses	15,472	44.7	19,663	44.8	20,757	41.2	9,256	41.2	9,545	30.5
Staff costs	4,994	14.5	6,321	14.4	6,712	13.4	3,517	15.6	4,697	15.0
Other taxes	3,871	11.2	5,625	12.8	6,178	12.3	3,697	16.5	3,899	12.5
Office expenses	2,307	6.7	3,377	7.7	3,909	7.8	1,918	8.5	2,223	7.1
Depreciation and amortization	2,046	5.9	1,785	4.1	2,404	4.8	1,133	5.0	1,349	4.3
Listing expenses	–	–	–	–	3,779	7.5	–	–	6,242	19.9
Impairment loss on trade receivables	–	–	1,251	2.9	600	1.2	–	–	–	–
Others[(1)]	5,857	17.0	5,839	13.3	5,931	11.8	2,952	13.2	3,343	10.7
Total	34,547	100.0	43,861	100.0	50,270	100.0	22,473	100.0	31,298	100.0

Note:

(1) Others primarily consist of business entertainment and travel expenses incurred by senior management and administrative personnel.

Finance Costs

Finance costs primarily consist of the interest expenses on our bank borrowings and borrowings from other financial institutions, as well as bank charges and others.

The following table sets forth a breakdown of our finance costs during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Interest on bank and other loans	11,686	92.9	10,866	90.0	11,569	88.6	5,797	86.0	4,675	82.5
Bank charges and others	895	7.1	1,211	10.0	1,495	11.4	942	14.0	989	17.5
Total	12,581	100.0	12,077	100.0	13,064	100.0	6,739	100.0	5,664	100.0

Income Tax Expenses

Income tax expenses consist of current tax and deferred income tax that we incurred.

The following table sets forth a breakdown of our tax expenses during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
				(unaudited)	
Current taxation – PRC corporate income tax					
Provision for the year/period	18,095	13,459	16,474	6,736	8,818
Deferred taxation					
Origination and reversal of temporary differences	(5,208)	309	(1,233)	(194)	(2,144)
Total	12,887	13,768	15,241	6,542	6,674

Current tax primarily consists of PRC enterprise income tax payable by our PRC subsidiary arising from sales in the PRC. Deferred tax comprises mainly the tax (credit)/charge for the current year.

Cayman Islands

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to Cayman income tax.

Hong Kong

During the Track Record Period, no provision for Hong Kong profits tax has been made because our subsidiary in Hong Kong did not have assessable profits which are subject to Hong Kong profits tax.

China

One of the subsidiaries of our Group established in the PRC obtained approvals from the tax bureau to be taxed as an advanced and new technology enterprise. Pursuant to the approvals, this subsidiary is entitled to a preferential PRC corporate income tax rate of 15% for the years from 2012 to 2017. In addition to the preferential PRC corporate income tax rate, this subsidiary is also entitled to an additional tax deductible allowance calculated at 50% of the qualified research and development costs incurred for the year ended December 31, 2016.

Profit for the Year/Period

For the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, our profit for the year/period was RMB63.8 million, RMB73.4 million, RMB93.7 million, RMB41.2 million and RMB42.0 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Revenue

Our revenue increased by 3.7% from RMB308.6 million for the six months ended June 30, 2016 to RMB319.9 million for the six months ended June 30, 2017. This increase was primarily attributable to an increase in revenue from sales of cylinder blocks, partially offset by a decrease in revenue from sales of cylinder heads and ancillary cylinder block components.

Sales of Cylinder Blocks

Segment revenue from cylinder block sales increased by 6.8% from RMB245.9 million for the six months ended June 30, 2016 to RMB262.6 million for the six months ended June 30, 2017, primarily attributable to a substantial increase in sales volume of cylinder blocks from approximately 245,000 units for the six months ended June 30, 2016 to approximately 296,000 units for the six months ended June 30, 2017. The increase in sales volume was partially offset by a decrease in average selling price from approximately RMB1,004.5 per unit for the six months ended June 30, 2016 to approximately RMB886.4 per unit for the six months ended June 30, 2017, mainly due to (i) an increasing proportion of sales of aluminum alloy cylinder blocks for which rough cast products were provided by new customers for our processing, which had relatively lower selling prices, and (ii) an increasing proportion of sales of cylinder blocks for passenger vehicles which generally had relatively lower selling prices. With regard to product types, revenue from sales of cylinder blocks for passenger vehicles and industrial vehicles increased, partially offset by a decrease in revenue from sales of cylinder blocks for commercial vehicles.

Revenue from sales of cylinder blocks for passenger vehicles increased by 32.9% from RMB93.6 million for the six months ended June 30, 2016 to RMB124.4 million for the six months ended June 30, 2017. This increase was primarily attributable to a substantial increase in the sales volume of grey iron cylinder blocks from approximately 56,000 units in the six months ended June 30, 2016 to approximately 116,000 units in the six months ended June 30, 2017. The increase in sales volume of grey iron cylinder blocks was driven by addition of two new mechanical processing lines for grey iron cylinder blocks in March and September of 2016, respectively, to satisfy increased customer demand. The increase in sales volume was partially offset by a decrease in average selling price of cylinder blocks for passenger vehicles from approximately RMB825.3 per unit for the six months ended June 30, 2016 to approximately RMB730.7 per unit for the six months ended June 30, 2017, primarily due to an increasing proportion of sales of aluminum alloy cylinder blocks for which rough cast products were provided by new customers for our processing, which had relatively lower selling prices.

Revenue from sales of cylinder blocks for commercial vehicles decreased by 15.4% from RMB125.6 million for the six months ended June 30, 2016 to RMB106.2 million for the six months ended June 30, 2017. This decrease was primarily due to a decrease in the sales volume of cylinder blocks for commercial vehicles from approximately 104,000 units in the six months ended June 30, 2016 to approximately 94,000 units in the six months ended June 30, 2017, primarily related to decreased sales of our 493 series of cylinder blocks as a result of decreased demand from a customer. The decrease in revenue from sales of cylinder blocks for commercial vehicles was also partially driven by a decrease in average selling price of cylinder blocks for commercial vehicles from approximately RMB1,202.2 per unit for the six months ended June 30, 2016 to approximately RMB1,125.0 per unit, primarily due to decreased sales of a model of cylinder block product which had a relatively higher selling price.

Revenue from sales of cylinder blocks for industrial vehicles increased by 19.5% from RMB26.7 million for the six months ended June 30, 2016 to RMB31.9 million for the six months ended June 30, 2017. This increase was primarily attributable to an increase in the sales volume of cylinder blocks for industrial vehicles from approximately 27,000 units in the six months ended June 30, 2016 to approximately 31,000 units in the six months ended June 30, 2017, primarily related to increased sales of the Yuchai series of four-cylinder cylinder blocks to an existing customer. The Yuchai series of four-cylinder cylinder blocks had a relatively higher average selling price than other similar products as it had four cylinders compared with only two cylinders and incorporated a variety of improvements involving more complex technology and processing procedures. Increased sales of such higher priced products also resulted in an increase in average selling price of cylinder blocks for industrial vehicles from approximately RMB991.9 per unit for the six months ended June 30, 2016 to approximately RMB1,012.7 per unit.

Sales of Cylinder Heads

Segment revenue from cylinder head sales increased by 1.1% from RMB45.1 million for the six months ended June 30, 2016 to RMB45.6 million for the six months ended June 30, 2017. This increase was primarily attributable to an increase in average selling price from approximately RMB561.7 per unit for the six months ended June 30, 2016 to approximately RMB586.9 per unit for the six months ended June 30, 2017 as a result of increased sales of the higher priced cylinder head products for which we performed additional mechanical processing steps in the first half of 2017.

Sales of Ancillary Cylinder Block Components

Segment revenue from sales of ancillary cylinder block components decreased by 33.0% from RMB17.6 million for the six months ended June 30, 2016 to RMB11.8 million for the six months ended June 30, 2017. This decrease was primarily due to a decrease in the sales volume of our main bearing cap products.

Cost of Sales

Cost of sales increased by 1.8% from RMB221.8 million for the six months ended June 30, 2016 to RMB225.8 million for the six months ended June 30, 2017. This increase was primarily attributable to a decrease in cost of raw materials and key components as we increased the percentage of cylinder blocks for which we manufactured rough cast products ourselves, partially offset by increases in (i) service expenses due to outsourcing of certain non-essential support services to third-party service providers, and (ii) utilities costs as a result of our increased production.

Cost of Sales for Cylinder Blocks

Segment cost of sales related to cylinder blocks increased by 3.1% from RMB183.6 million for the six months ended June 30, 2016 to RMB189.2 million for the six months ended June 30, 2017. This increase reflected an increase in cost of sales for cylinder blocks for passenger vehicles and industrial vehicles associated with increased sales volume of such products, partially offset by a decrease in cost of sales for cylinder blocks for commercial vehicles associated with a decrease in the sales volume of such products.

Cost of Sales for Cylinder Heads

Segment cost of sales related to cylinder heads remained relatively stable at RMB25.6 million for the six months ended June 30, 2016 and RMB25.7 million for the six months ended June 30, 2017.

Cost of Sales for Ancillary Cylinder Block Components

Segment cost of sales related to ancillary cylinder block components decreased by 13.5% from RMB12.6 million for the six months ended June 30, 2016 to RMB10.9 million for the six months ended June 30, 2017. This decrease corresponded to a decrease in the sales volume of ancillary cylinder block components.

Gross Profit and Gross Profit Margin

Gross profit increased by 8.5% from RMB86.7 million for the six months ended June 30, 2016 to RMB94.1 million for the six months ended June 30, 2017. Gross profit margin increased from 28.1% for the six months ended June 30, 2016 to 29.4% for the six months ended June 30, 2017. These increases were attributable to an increase in gross profit and gross profit margin from sales of cylinder blocks, partially offset by a decrease in gross profit and gross profit margin from sales of ancillary cylinder block components.

Cylinder Blocks

Segment gross profit from cylinder block sales increased by 17.7% from RMB62.3 million for the six months ended June 30, 2016 to RMB73.3 million for the six months ended June 30, 2017. This increase was primarily attributable to an increase in gross profit from sales of cylinder blocks for passenger vehicles and industrial vehicles, partially offset by a decrease in gross profit from sales of cylinder blocks for commercial vehicles. Segment gross profit margin from cylinder block sales increased from 25.3% for the six months ended June 30, 2016 to 27.9% for the six months ended June 30, 2017, primarily due to an increase in gross profit margin from sales of all three types of cylinder blocks we produced, partially offset by an increasing proportion of sales of cylinder blocks for passenger and industrial vehicles which had a relatively lower gross margin than cylinder blocks for commercial vehicles.

Gross profit from sales of cylinder blocks for passenger vehicles increased significantly by 103.1% from RMB13.0 million for the six months ended June 30, 2016 to RMB26.4 million for the six months ended June 30, 2017 primarily due to a significant increase in sales of cylinder blocks for passenger vehicles. Gross profit margin from sales of cylinder blocks for passenger vehicles increased from 13.9% for the six months ended June 30, 2016 to 21.2% for the six months ended June 30, 2017. This increase in gross profit margin was primarily attributable to (i) an increase in gross profit margin from sales of grey iron cylinder blocks for passenger vehicles from 15.8% for the six months ended June 30, 2016 to 22.9% for the six months ended June 30, 2017 as a result of increased sales of such cylinder blocks for which we produced rough cast products ourselves, which provided us a relatively higher profit margin, and (ii) an increase in gross profit margin from sales of aluminum alloy cylinder blocks for passenger vehicles from 12.2% for the six months ended June 30, 2016 to 17.3% for the six months ended June 30, 2017 as a result of an increasing proportion of sales of aluminum alloy cylinder blocks for which rough cast products were provided by new customers for our processing, which had relatively higher gross profit margins.

Gross profit from sales of cylinder blocks for commercial vehicles decreased by 12.4% from RMB43.7 million for the six months ended June 30, 2016 to RMB38.3 million for the six months ended June 30, 2017. However, gross profit margin from sales of cylinder blocks for commercial vehicles increased from 34.8% for the six months ended June 30, 2016 to 36.0% for the six months ended June 30, 2017. The increase in gross profit margin was primarily attributable to increased sales of cylinder blocks for commercial vehicles for which we had produced rough cast products ourselves, which provide us a relatively higher gross profit margin.

Gross profit from sales of cylinder blocks for industrial vehicles increased by 56.4% from RMB5.5 million for the six months ended June 30, 2016 to RMB8.6 million for the six months ended June 30, 2017. Gross profit margin from sales of cylinder blocks for industrial vehicles increased from 20.7% for the six months ended June 30, 2016 to 27.0% for the six months ended June 30, 2017. The increase in gross profit margin was primarily attributable to the increased sales of our Yuchai series of four-cylinder cylinder blocks which generally had a higher average selling price and gross profit margin.

Cylinder Heads

Segment gross profit from cylinder head sales increased by 2.6% from RMB19.4 million for the six months ended June 30, 2016 to RMB19.9 million for the six months ended June 30, 2017, primarily due to a decrease in sales volume over those periods. Gross profit margin from cylinder head sales grew slightly from 43.1% for the six months ended June 30, 2016 to 43.6% for the six months ended June 30, 2017.

Ancillary Cylinder Block Components

Segment gross profit from sales of ancillary cylinder block components decreased by 82.0% from RMB5.0 million for the six months ended June 30, 2016 to RMB0.9 million for the six months ended June 30, 2017 primarily due to a decrease in revenue over those periods. Gross profit margin from sales of ancillary cylinder block components decreased from 28.5% for the six months ended June 30, 2016 to 7.6% for the six months ended June 30, 2017. The decrease in gross profit margin was primarily attributable to decreased sales of a model of main bearing cap which had a relatively higher gross profit margin.

Other Income

Other income increased by 80.0% from RMB2.5 million for the six months ended June 30, 2016 to RMB4.5 million for the six months ended June 30, 2017. The increase was primarily due to an increase in government grants we received on a one-off basis for the expansion of our production facilities and purchase of new production equipment.

Selling Expenses

Selling expenses increased by 5.7% from RMB12.3 million for the six months ended June 30, 2016 to RMB13.0 million for the six months ended June 30, 2017. The increase was primarily due to (i) an increase in business entertainment expenses we incurred in connection with an increasing number of new customers and conducting customer visits, and (ii) an increase in transportation expenses we incurred in relation to delivery of products to our customers as a result of our increased sales.

Administrative Expenses

Administrative expenses increased by 39.1% from RMB22.5 million for the six months ended June 30, 2016 to RMB31.3 million for the six months ended June 30, 2017, primarily due to (i) expenses we incurred in connection with the Listing, and (ii) increased performance bonuses of our management personnel associated with our increased sales.

Finance Costs

Finance costs decreased by 14.9% from RMB6.7 million for the six months ended June 30, 2016 to RMB5.7 million for the six months ended June 30, 2017, primarily due to a decrease in interest expenses as a result of decreased average interest rates on our bank and other loans in the six months ended June 30, 2017 as compared with the same period in the prior year.

Income Tax Expenses

Income tax expenses we incurred increased slightly by 3.1% from RMB6.5 million for the six months ended June 30, 2016 to RMB6.7 million for the six months ended June 30, 2017, primarily due to an increase in taxable income. Our effective tax rate remained stable at 13.7% for the six months ended June 30, 2016 and 2017, respectively.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 1.9% from RMB41.2 million for the six months ended June 30, 2016 to RMB42.0 million for the six months ended June 30, 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 39.2% from RMB481.1 million for the year ended December 31, 2015 to RMB669.9 million for the year ended December 31, 2016. This increase was primarily attributable to an increase in revenue from sales of cylinder blocks, partially offset by a decrease in revenue from sales of cylinder heads.

Sales of Cylinder Blocks

Segment revenue from cylinder block sales increased by 52.3% from RMB353.8 million for the year ended December 31, 2015 to RMB538.9 million for the year ended December 31, 2016, primarily attributable to a substantial increase in sales volume from approximately 322,000 units for the year ended December 31, 2015 to approximately 548,000 units for the year ended December 31, 2016 driven by increased customer demand. This increase in sales volume was partially offset by a decrease in average selling price from approximately RMB1,097.4 per unit for the year ended December 31, 2015 to approximately RMB983.5 per unit for the year ended December 31, 2016, primarily reflecting a higher proportion of sales of cylinder blocks for passenger vehicles which generally have lower selling prices. With regard to product types, revenue from sales of cylinder blocks for passenger vehicles and industrial vehicles increased, partially offset by a decrease in revenue from sales of cylinder blocks for commercial vehicles.

Revenue from sales of cylinder blocks for passenger vehicles increased significantly by 296.6% from RMB58.5 million for the year ended December 31, 2015 to RMB232.0 million for the year ended December 31, 2016. This increase was primarily attributable to a substantial increase in the sales volume of cylinder blocks for passenger vehicles from approximately 76,000 units (including approximately 46,000 grey iron cylinder blocks and approximately 30,000 aluminum alloy cylinder blocks) in the year ended December 31, 2015 to approximately 290,000 units (including approximately 145,000 grey iron cylinder blocks and approximately 145,000 aluminum alloy cylinder blocks) in the year ended December 31, 2016. This increase was driven by addition of three new mechanical processing lines (one for grey iron cylinder blocks and two for aluminum alloy cylinder blocks) in March 2016 and one new mechanical processing line (for grey iron cylinder blocks) in September 2016 to satisfy increased customer demand. The increase in revenue from sales of cylinder blocks for passenger vehicles was also partially driven by an increase in average selling price of cylinder blocks for passenger vehicles from approximately RMB771.4 per unit for the year ended December 31, 2015 to approximately RMB800.8 per unit for the year ended December 31, 2016, primarily due to increased sales of a model of grey iron cylinder block which had a relatively higher selling price.

Revenue from sales of cylinder blocks for commercial vehicles decreased by 4.1% from RMB263.4 million for the year ended December 31, 2015 to RMB252.5 million for the year ended December 31, 2016. This decrease was primarily due to a decrease in the sales volume of cylinder blocks for commercial vehicles from approximately 212,000 units in the year ended December 31, 2015 to approximately 204,000 units in the year ended December 31, 2016 primarily due to decreased sales of our 493 series of cylinder blocks as a result of decreased demand from a customer. The average selling price of cylinder blocks for commercial vehicles decreased slightly from approximately RMB1,240.9 per unit for the year ended December 31, 2015 to approximately RMB1,235.6 per unit for the year ended December 31, 2016.

Revenue from sales of cylinder blocks for industrial vehicles increased by 70.5% from RMB31.9 million for the year ended December 31, 2015 to RMB54.4 million for the year ended December 31, 2016. This increase was primarily attributable to an increase in the sales volume of cylinder blocks for industrial vehicles from approximately 34,000 units in the year ended December 31, 2015 to approximately 54,000 units in the year ended December 31, 2016, primarily related to increased sales of Yuchai series of four-cylinder cylinder blocks to an existing customer. Increased sales of such products which had a relatively higher selling price also resulted in an increase in the average selling price of cylinder blocks for industrial vehicles from approximately RMB930.3 per unit for the year ended December 31, 2015 to approximately RMB1,009.1 per unit for the year ended December 31, 2016.

Sales of Cylinder Heads

Segment revenue from cylinder head sales decreased by 6.8% from RMB97.5 million for the year ended December 31, 2015 to RMB90.9 million for the year ended December 31, 2016. This decrease was primarily due to a decrease in the sales volume of cylinder heads from approximately 171,000 units in the year ended December 31, 2015 to approximately 159,000 units in the year ended December 31, 2016, primarily related to decreased sales of our 493 series of cylinder heads, which was consistent with the decreased sales of the same series of cylinder blocks over those periods.

Sales of Ancillary Cylinder Block Components

Segment revenue from sales of ancillary cylinder block components increased by 34.6% from RMB29.8 million for the year ended December 31, 2015 to RMB40.0 million for the year ended December 31, 2016. This increase was primarily attributable to an increase in the sales volume of our main bearing cap products.

Cost of Sales

Cost of sales increased by 48.3% from RMB321.5 million for the year ended December 31, 2015 to RMB476.8 million for the year ended December 31, 2016. This increase was primarily attributable to increases in (i) cost of raw materials and key components driven by our increased sales; (ii) staff costs due to an increase in the levels of compensation of employees involved in the manufacture of our products; and (iii) depreciation and amortization related to the construction of two new factory buildings and public rental housing.

Cost of Sales for Cylinder Blocks

Segment cost of sales related to cylinder blocks increased by 61.6% from RMB246.4 million for the year ended December 31, 2015 to RMB398.1 million for the year ended December 31, 2016. This increase reflected an increase in cost of sales for cylinder blocks for passenger vehicles and industrial vehicles associated with increased sales volume of such products, partially offset by a decrease in cost of sales for cylinder blocks for commercial vehicles associated with a decrease in the sales volume of such products.

Cost of Sales for Cylinder Heads

Segment cost of sales related to cylinder heads decreased by 7.8% from RMB55.0 million for the year ended December 31, 2015 to RMB50.7 million for the year ended December 31, 2016. This decrease corresponded to a decrease in the sales volume of cylinder heads.

Cost of Sales for Ancillary Cylinder Block Components

Segment cost of sales related to ancillary cylinder block components increased by 39.3% from RMB20.1 million for the year ended December 31, 2015 to RMB28.0 million for the year ended December 31, 2016. This increase was primarily attributable to an increase in the sales volume of ancillary cylinder block components.

Gross Profit and Gross Profit Margin

Gross profit increased by 21.0% from RMB159.6 million for the year ended December 31, 2015 to RMB193.1 million for the year ended December 31, 2016. This increase was primarily attributable to an increase in gross profit from sales of cylinder blocks, partially offset by a decrease in gross profit from sales of cylinder heads. However, gross profit margin decreased from 33.2% for the year ended December 31, 2015 to 28.8% for the year ended December 31, 2016. This decrease was primarily due to a decrease in gross profit margin from sales of cylinder blocks in 2016 as compared to 2015.

Cylinder Blocks

Segment gross profit from cylinder block sales increased by 31.2% from RMB107.4 million for the year ended December 31, 2015 to RMB140.9 million for the year ended December 31, 2016. This increase was primarily attributable to an increase in gross profit from sales of cylinder blocks for passenger vehicles and industrial vehicles, partially offset by a decrease in gross profit from sales of cylinder blocks for commercial vehicles. However, segment gross profit margin from cylinder block sales decreased from 30.4% for the year ended December 31, 2015 to 26.1% for the year ended December 31, 2016, primarily due to a higher proportion of sales of cylinder blocks for passenger vehicles which have a relatively lower profit margin.

Gross profit from sales of cylinder blocks for passenger vehicles increased significantly by 440.0% from RMB7.0 million for the year ended December 31, 2015 to RMB37.8 million for the year ended December 31, 2016, primarily due to a significant increase in sales of cylinder blocks for passenger vehicles. Gross profit margin from sales of cylinder blocks for passenger vehicles increased from 11.9% for the year ended December 31, 2015 to 16.3% for the year ended December 31, 2016. The increase in gross profit margin was primarily attributable to (i) an increase in gross profit margin from sales of grey iron cylinder blocks for passenger vehicles from 16.3% for the year ended December 31, 2015 to 18.5% for the year ended December 31, 2016 as a result of increased sales of such cylinder blocks for which we produced rough cast products ourselves, which provide us a relatively higher profit margin, and (ii) an increase in gross profit margin from sales of aluminum alloy cylinder blocks for passenger vehicles from 6.0% for the year ended December 31, 2015 to 14.2% for the year ended December 31, 2016 as a result of launch in March 2016 of a new model of aluminum alloy cylinder block for passenger vehicles which had a relatively higher gross profit margin.

Gross profit from sales of cylinder blocks for commercial vehicles decreased by 4.9% from RMB95.3 million for the year ended December 31, 2015 to RMB90.6 million for the year ended December 31, 2016. Gross profit margin from sales of cylinder blocks for commercial vehicles decreased slightly from 36.2% for the year ended December 31, 2015 to 35.9% for the year ended December 31, 2016.

Gross profit from sales of cylinder blocks for industrial vehicles increased by 145.1% from RMB5.1 million for the year ended December 31, 2015 to RMB12.5 million for the year ended December 31, 2016. Gross profit margin from sales of cylinder blocks for industrial vehicles increased from 16.0% for the year ended December 31, 2015 to 22.9% for the year ended December 31, 2016. The increase in gross profit margin was primarily attributable to increased sales of the higher priced Yuchai series of four-cylinder cylinder blocks to an existing customer.

Cylinder Heads

Segment gross profit from cylinder head sales decreased by 5.4% from RMB42.5 million for the year ended December 31, 2015 to RMB40.2 million for the year ended December 31, 2016, primarily due to a decrease in sales volume over those periods. However, gross profit margin from cylinder head sales increased from 43.6% for the year ended December 31, 2015 to 44.2% for the year ended December 31, 2016. This small increase in gross profit margin was primarily attributable to increased sales of cylinder heads for which rough cast products were provided by our customer for our processing, which have relatively lower selling prices and cost of sales.

Ancillary Cylinder Block Components

Segment gross profit from sales of ancillary cylinder block components increased by 23.7% from RMB9.7 million for the year ended December 31, 2015 to RMB12.0 million for the year ended December 31, 2016. However, gross profit margin from sales of ancillary cylinder block components decreased from 32.4% for the year ended December 31, 2015 to 30.1% for the year ended December 31, 2016. The decrease in gross profit margin was primarily attributable to our initiatives to broaden our customer base as we launched a new model of main bearing cap, which had a relatively lower profit margin at initial stage of operation.

Other Income

Other income increased by 10.9% from RMB4.6 million for the year ended December 31, 2015 to RMB5.1 million for the year ended December 31, 2016. This increase was primarily due to (i) an increase in interest income from available-for-sale investment we held for wealth management purposes, and (ii) an increase in government grants we received on a one-off basis for the expansion of our production facilities and purchase of new production equipment.

Selling Expenses

Selling expenses increased by 23.3% from RMB21.0 million for the year ended December 31, 2015 to RMB25.9 million for the year ended December 31, 2016. The increase was primarily due to (i) an increase in transportation expenses we incurred in relation to delivery of products to our customers due to increased sales, and (ii) an increase in staff costs related to increased performance bonus of our sales and marketing personnel associated with our increased sales.

Administrative Expenses

Administrative expenses increased by 14.6% from RMB43.9 million for the year ended December 31, 2015 to RMB50.3 million for the year ended December 31, 2016, primarily due to (i) expenses incurred in 2016 relating to the Listing, and (ii) increased research and development expenses incurred in connection with the launch of additional research and development projects to design and produce certain pieces of production equipment and improvement of our production processes.

Finance Costs

Finance costs increased by 8.3% from RMB12.1 million for the year ended December 31, 2015 to RMB13.1 million for the year ended December 31, 2016, primarily due to an increase in interest expenses as a result of increased loans from third parties to finance our operations.

Income Tax Expenses

Income tax expenses we incurred increased by 10.1% from RMB13.8 million for the year ended December 31, 2015 to RMB15.2 million for the year ended December 31, 2016 primarily due to an increase in taxable income. However, our effective tax rate decreased from 15.8% for the year ended December 31, 2015 to 14.0% for the year ended December 31, 2016, primarily because we were granted a tax relief by the local tax authority in the form of an additional deduction of qualified research and development expenses from our taxable income starting on January 1, 2016.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 27.7% from RMB73.4 million for the year ended December 31, 2015 to RMB93.7 million for the year ended December 31, 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue

Our revenue increased by 11.4% from RMB432.0 million for the year ended December 31, 2014 to RMB481.1 million for the year ended December 31, 2015. This increase was primarily attributable to an increase in revenue from sales of cylinder blocks, partially offset by a decrease in revenue from sales of cylinder heads.

Sales of Cylinder Blocks

Segment revenue from cylinder block sales increased by 14.6% from RMB308.6 million for the year ended December 31, 2014 to RMB353.8 million for the year ended December 31, 2015. This increase was primarily attributable to an increase in revenue from sales of cylinder blocks for passenger vehicles and industrial vehicles, partially offset by a slight decrease in revenue from sales of cylinder blocks for commercial vehicles.

Revenue from sales of cylinder blocks for passenger vehicles increased significantly by 197.0% from RMB19.7 million for the year ended December 31, 2014 to RMB58.5 million for the year ended December 31, 2015. This increase was primarily attributable to an increase in the sales volume of cylinder blocks for passenger vehicles from approximately 42,000 units (including approximately 29,000 grey iron cylinder blocks and approximately 13,000 aluminum alloy cylinder blocks) in the year ended December 31, 2014 to approximately 76,000 units (including approximately 46,000 grey iron cylinder blocks and approximately 30,000 aluminum alloy cylinder blocks) in the year ended December 31, 2015, as well as an increase in average selling price from approximately RMB464.4 in the year ended December 31, 2014 to approximately RMB771.4 in the year ended December 31, 2015. The increase in sales volume was primarily attributable to (i) increased customer demand for our cylinder blocks for passenger vehicles, and (ii) addition of a new mechanical processing line for a new model of aluminum alloy cylinder block in May 2015. The increase in average selling price was primarily due to decreased sales of cylinder blocks for passenger vehicles for which rough cast products were provided by our customers for our processing, which had relatively lower selling prices.

Revenue from sales of cylinder blocks for commercial vehicles decreased slightly by 1.6% from RMB267.7 million for the year ended December 31, 2014 to RMB263.5 million for the year ended December 31, 2015. This decrease was primarily due to a decrease in the overall average selling price of cylinder blocks for commercial vehicles from approximately RMB1,298.9 per unit for the year ended December 31, 2014 to approximately RMB1,240.9 per unit for the year ended December 31, 2015, primarily related to increased sales of cylinder blocks for commercial vehicles for which rough cast products were provided by our customer for our processing, which have relatively lower selling prices and cost of sales.

Revenue from sales of cylinder blocks for industrial vehicles increased by 50.5% from RMB21.2 million for the year ended December 31, 2014 to RMB31.9 million for the year ended December 31, 2015. This increase was primarily attributable to an increase in the sales volume of cylinder blocks for industrial vehicles from approximately 26,000 units in the year ended December 31, 2014 to approximately 34,000 units in the year ended December 31, 2015, primarily related to increased sales of the Yuchai series of four-cylinder cylinder blocks to an existing customer. Increased sales of such products which had a relatively higher selling price also resulted in an increase in the average selling price of cylinder blocks for industrial vehicles from approximately RMB821.6 per unit for the year ended December 31, 2014 to approximately RMB930.3 per unit for the year ended December 31, 2015.

Sales of Cylinder Heads

Segment revenue from cylinder head sales decreased by 2.9% from RMB100.4 million for the year ended December 31, 2014 to RMB97.5 million for the year ended December 31, 2015. This decrease was primarily due to a decrease in the overall average selling price of cylinder heads from approximately RMB608.7 per unit for the year ended December 31, 2014 to approximately RMB570.4 per unit for the year ended December 31, 2015, which primarily resulted from increased sales of cylinder heads for which rough cast products were provided by our customer for our processing, which have relatively lower selling prices and cost of sales.

Sales of Ancillary Cylinder Block Components

Segment revenue from sales of ancillary cylinder block components increased by 29.6% from RMB23.0 million for the year ended December 31, 2014 to RMB29.8 million for the year ended December 31, 2015. This increase was primarily attributable to an increase in the sales volume of our main bearing cap products.

Cost of Sales

Cost of sales increased by 10.0% from RMB292.4 million for the year ended December 31, 2014 to RMB321.5 million for the year ended December 31, 2015. This increase was primarily attributable to increases in (i) cost of raw materials and key components driven by our increased sales; (ii) depreciation and amortization related to the construction of the KW automatic casting line and purchases of related production equipment; and (iii) staff costs due to an increase in the number of employees involved in the manufacture of our products.

Cost of Sales for Cylinder Blocks

Segment cost of sales related to cylinder blocks increased by 12.5% from RMB219.0 million for the year ended December 31, 2014 to RMB246.4 million for the year ended December 31, 2015. This increase reflected an increase in cost of sales for cylinder blocks for passenger vehicles and industrial vehicles associated with our increased sales, partially offset by a decrease in cost of sales for cylinder blocks for commercial vehicles due to increased sales of such products for which rough cast products were provided by our customer for our processing, which have relatively lower cost of sales.

Cost of Sales for Cylinder Heads

Segment cost of sales related to cylinder heads decreased by 3.8% from RMB57.2 million for the year ended December 31, 2014 to RMB55.0 million for the year ended December 31, 2015. This decrease was primarily due to increased sales of cylinder heads for which rough cast products were provided by our customer for our processing, which have relatively lower cost of sales.

Cost of Sales for Ancillary Cylinder Block Components

Segment cost of sales related to ancillary cylinder block components increased by 24.1% from RMB16.2 million for the year ended December 31, 2014 to RMB20.1 million for the year ended December 31, 2015. This increase was primarily attributable to an increase in the sales volume of ancillary cylinder block components.

Gross Profit and Gross Profit Margin

Gross profit increased by 14.4% from RMB139.5 million for the year ended December 31, 2014 to RMB159.6 million for the year ended December 31, 2015. This increase was primarily attributable to an increase in gross profit from sales of cylinder blocks, partially offset by a decrease in gross profit from sales of cylinder heads. Our gross profit margin increased from 32.3% for the year ended December 31, 2014 to 33.2% for the year ended December 31, 2015. The increase in gross profit margin was attributable to an increase in gross profit margin from sales of all three product segments in 2015 as compared to 2014.

Cylinder Blocks

Segment gross profit from cylinder block sales increased by 19.9% from RMB89.6 million for the year ended December 31, 2014 to RMB107.4 million for the year ended December 31, 2015. This increase was primarily attributable to an increase in gross profit from sales of all three types of cylinder blocks we produced. Segment gross profit margin from cylinder block sales increased from 29.0% for the year ended December 31, 2014 to 30.4% for the year ended December 31, 2015, primarily due to an increase in gross profit margin from sales of all three types of cylinder blocks we produced, partially offset by a higher proportion of sales of cylinder blocks for passenger vehicles which have a relatively lower gross profit margin.

We experienced a gross loss of RMB0.9 million and a negative gross margin of 4.6% for sales of cylinder blocks for passenger vehicles for the year ended December 31, 2014 primarily because we were still at an initial production stage in 2014 and had not yet achieved economies of scale for the production of aluminum alloy cylinder blocks which would be required for such products to be profitable. We recorded a gross profit of RMB7.0 million and a gross profit margin of 11.9% for sales of such products for the year ended December 31, 2015. This improvement was primarily attributable to the increases in sales volume and average selling prices of cylinder blocks for passenger vehicles as a result of addition of a new mechanical processing line for a new model of aluminum alloy cylinder block in May 2015 driven by increased customer demand.

Gross profit from sales of cylinder blocks for commercial vehicles increased by 8.0% from RMB88.2 million for the year ended December 31, 2014 to RMB95.3 million for the year ended December 31, 2015. Gross profit margin from sales of cylinder blocks for commercial vehicles also increased from 33.0% for the year ended December 31, 2014 to 36.2% for the year ended December 31, 2015. The increase in gross profit margin was primarily attributable to increased sales of cylinder blocks for commercial vehicles for which rough cast products were provided by our customer for our processing, which have relatively lower selling price and cost of sales.

Gross profit from sales of cylinder blocks for industrial vehicles increased by 121.7% from RMB2.3 million for the year ended December 31, 2014 to RMB5.1 million for the year ended December 31, 2015. Gross profit margin from sales of cylinder blocks for industrial vehicles increased from 10.6% for the year ended December 31, 2014 to 16.0% for the year ended December 31, 2015. The increase in gross profit margin was primarily attributable to increased sales of our Yuchai series of four-cylinder cylinder blocks, which generally had a higher average selling price and gross profit margin.

Cylinder Heads

Segment gross profit from cylinder head sales decreased by 1.6% from RMB43.2 million for the year ended December 31, 2014 to RMB42.5 million for the year ended December 31, 2015. However, gross profit margin from cylinder head sales increased from 43.0% for the year ended December 31, 2014 to 43.6% for the year ended December 31, 2015. The increase in gross profit margin was primarily attributable to increased sales of cylinder heads for which rough cast products were provided by our customer for our processing, which had a relatively lower selling price but a higher gross profit margin.

Ancillary Cylinder Block Components

Segment gross profit from sales of ancillary cylinder block components increased by 44.8% from RMB6.7 million for the year ended December 31, 2014 to RMB9.7 million for the year ended December 31, 2015. Gross profit margin from sales of ancillary cylinder block components increased from 29.0% for the year ended December 31, 2014 to 32.4% for the year ended December 31, 2015. The increase in gross profit margin was primarily attributable to increased sales of our main bearing cap products which had a higher profit margin.

Other Income

Other income remained relatively stable at RMB4.4 million for the year ended December 31, 2014 compared with RMB4.6 million for the year ended December 31, 2015.

Selling Expenses

Selling expenses increased by 4.0% from RMB20.2 million for the year ended December 31, 2014 to RMB21.0 million for the year ended December 31, 2015. The increase was primarily due to an increase in transportation expenses we incurred in relation to delivery of products to our customers as a result of our increased sales.

Administrative Expenses

Administrative expenses increased by 27.2% from RMB34.5 million for the year ended December 31, 2014 to RMB43.9 million for the year ended December 31, 2015, primarily due to (i) increased staff costs as a result of an increase in the levels of compensation of our administrative personnel, (ii) increased research and development expenses incurred in connection with the launch of additional research and development projects for several new products, including new series of cylinder blocks and main bearing caps, and improvement of our production processes, and (iii) increased tax surcharges, in particular property taxes, incurred in connection with the expansion of our existing production facilities.

Finance Costs

Finance costs decreased by 4.0% from RMB12.6 million in 2014 to RMB12.1 million in 2015, primarily due to a decrease in interest expenses as a result of the decreased interest rates on our bank and other loans in 2015 as compared with the prior year.

Income Tax Expenses

Income tax expenses we incurred increased by 7.0% from RMB12.9 million for the year ended December 31, 2014 to RMB13.8 million for the year ended December 31, 2015 primarily due to an increase in taxable income. Our effective tax rate decreased from 16.8% for the year ended December 31, 2014 to 15.8% for the year ended December 31, 2015, primarily due to a decrease in tax non-deductible expenses.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 15.0% from RMB63.8 million for the year ended December 31, 2014 to RMB73.4 million for the year ended December 31, 2015.

DISCUSSION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Current Assets and Current Liabilities

The following table sets forth details of our current assets and current liabilities as at the dates indicated:

	As at December 31,			As at June 30,	As at October 31,
	2014	2015	2016	2017	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
					(unaudited)
CURRENT ASSETS					
Inventories	70,324	98,277	116,173	148,728	158,405
Trade and other receivables	157,728	162,884	252,046	248,619	254,490
Available-for-sale financial assets	6,000	–	–	–	–
Cash and cash equivalents	11,353	19,328	9,553	16,155	22,331
TOTAL CURRENT ASSETS	245,405	280,489	377,772	413,502	435,226
CURRENT LIABILITIES					
Trade and other payables	135,133	162,613	280,652	294,249	294,410
Bank and other loans	144,385	155,296	90,833	113,333	105,300
Current taxation	3,341	3,893	2,684	95	(730)
Provision for warranties	1,291	1,770	2,084	2,320	2,342
TOTAL CURRENT LIABILITIES	284,150	323,572	376,253	409,997	401,322
NET CURRENT (LIABILITIES)/ ASSETS	(38,745)	(43,083)	1,519	3,505	33,904

We had net current liabilities as at each of December 31, 2014 and 2015, primarily due to an increase in our short-term bank borrowings and an increase in property, plant and equipment related to the construction of our production facilities and purchase of production equipment. For risks associated with our net current liabilities position, please refer to the paragraph headed "Risk Factors – Risks Relating to Our Business and Industry – We recorded net current liabilities as at December 31, 2014 and 2015" in this prospectus for further details.

As at October 31, 2017, we had net current assets of RMB33.9 million compared to net current assets of RMB3.5 million as at June 30, 2017. This increase was primarily attributable to (i) an increase in inventories in anticipation of sales growth of cylinder blocks for passenger vehicles in the last two months of 2017, and (ii) a decrease in bank and other loans due to our repayment of certain short-term bank loans.

As at June 30, 2017, we had net current assets of RMB3.5 million compared to net current assets of RMB1.5 million as at December 31, 2016. This increase was primarily attributable to (i) an increase in inventories of RMB32.6 million in anticipation of sales growth in the second quarter of 2017, and (ii) an increase in cash and cash equivalents of RMB6.6 million, partially offset by (i) an increase in bank and other loans of RMB22.5 million, and (ii) an increase in trade and other payables of RMB13.6 million.

As at December 31, 2016, we had net current assets of RMB1.5 million compared to net current liabilities of RMB43.1 million as at December 31, 2015. This improvement was primarily attributable to (i) an increase in trade and other receivables of RMB89.2 million primarily as a result of increased sales in 2016, (ii) a decrease in bank and other loans of RMB64.5 million, and (iii) an increase in inventories of RMB17.9 million as we increased purchases of raw materials and key components as well as repair and maintenance materials to be used for our production equipment, partially offset by (i) an increase in trade and other payables of RMB118.0 million due to increased purchases of raw materials associated with increased sales and capital expenditures related to the implementation of our intelligent manufacturing systems, and (ii) a decrease of cash and cash equivalents of RMB9.8 million due to a decrease in our bank deposits.

As at December 31, 2015, we had net current liabilities of RMB43.1 million compared to net current liabilities of RMB38.7 million as at December 31, 2014. This increase was primarily attributable to (i) an increase in trade and other payables of RMB27.5 million as a result of purchase of raw materials in anticipation of increased sales in 2016, (ii) an increase in bank and other loans of RMB10.9 million, and (iii) a decrease in available-for-sale financial assets we held for wealth management purposes of RMB6.0 million, partially offset by (i) an increase in inventories of RMB28.0 million in anticipation of increased sales in 2016, (ii) an increase in cash and cash equivalents of RMB8.0 million, and (iii) an increase in trade and other receivables of RMB5.2 million primarily as a result of increased sales in 2015.

We expect to further improve our net current assets position with (i) funds generated from our business operations, (ii) the net proceeds from the Global Offering, as well as (iii) adjusting our debt structure to reduce the percentage of the short-term loans in our total borrowings. Taking into account of the funds generated from our business operations and our financial resources, our Directors are of the opinion that we have sufficient working capital to meet in full our financial obligations as they fall due for at least the next 12 months from the end of the reporting period and, accordingly, the financial information has been prepared on a going concern basis.

Inventories

Our inventories primarily consist of raw materials and key components, work in progress and finished goods. The following table sets forth a breakdown of our inventories as at the dates indicated:

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Raw materials and key components	17,207	25,418	40,547	40,400
Work in progress	18,691	27,904	29,764	23,492
Finished goods	36,054	47,113	48,260	86,615
	71,952	100,435	118,571	150,507
Less: write-down of inventories	(1,628)	(2,158)	(2,398)	(1,779)
	70,324	98,277	116,173	148,728

Our inventories increased by 28.0% from RMB116.2 million as at December 31, 2016 to RMB148.7 million as at June 30, 2017. The increase in inventories was primarily due to increased finished goods in inventory as at June 30, 2017 in anticipation of sales growth of our products in the second half of 2017.

Our inventories increased by 18.2% from RMB98.3 million as at December 31, 2015 to RMB116.2 million as at December 31, 2016. The increase in inventories was primarily due to increased raw materials and key components in inventory as we increased purchases of (i) crude iron, steel scrap and other raw materials for the manufacture of our self-produced rough cast products, and (ii) repair and maintenance materials to be used for our production equipment.

Our inventories increased by 39.8% from RMB70.3 million as at December 31, 2014 to RMB98.3 million as at December 31, 2015. The increase in inventories was primarily due to (i) increased raw materials and key components in inventory as we increased purchases of rough cast cylinder blocks, and (ii) increased work in progress and finished goods in inventory as at December 31, 2015, both of which resulted from our anticipation of increased sales growth of cylinder blocks for passenger vehicles in 2016.

We review and assess the adequacy of our inventories periodically. We strive to maintain optimal inventory levels to meet customer demand while managing our working capital requirements. We generally keep raw material inventory at levels that we believe are sufficient for approximately two months of production. We make provisions for obsolete and slow-moving inventories (especially those aged over one year) that are no longer suitable for use in production or sale. A number of factors, including historical and forecast consumption of raw materials, as well as marketability of the products, are taken into account when considering whether to make appropriate provision. We recorded inventory provision in the amount of RMB1.6 million, RMB2.2 million, RMB2.4 million and RMB1.8 million, respectively, as at December 31, 2014, 2015, 2016 and June 30, 2017. As at November 30, 2017, approximately RMB130.3 million, or 87.6%, of our inventories as at June 30, 2017 had been sold or consumed.

The following table sets forth our average inventory turnover days during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2014	**2015**	**2016**	**2017**
Average inventory turnover days[(1)]	81	96	82	106

Note:

(1) Average inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant year or period divided by cost of sales of the relevant year or period and multiplied by 365 for a year or by 180 days for a six month period.

Our average inventory turnover days increased from 81 days for the year ended December 31, 2014 to 96 days for the year ended December 31, 2015, primarily as a result of increased raw materials and key components, work in progress and finished goods in inventory as at December 31, 2015 in anticipation of increased sales growth of cylinder blocks for passenger vehicles in 2016. Our average inventory turnover days decreased to 82 days for the year ended December 31, 2016, primarily as a result of our improved internal management on inventory control. Our average inventory turnover days increased to 106 days for the six months ended June 30, 2017, primarily as a result of increased finished goods in inventory as at June 30, 2017 in anticipation of increased sales growth of our products in the second half of 2017.

Trade and Other Receivables

Our trade and other receivables primarily relate to outstanding amounts receivable by us from our customers (in the form of trade receivables and bills receivable) and prepayments, deposits and other receivables less any allowance for doubtful debts.

The following table sets forth a breakdown of our trade and other receivables as at the dates indicated:

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Trade receivables	121,765	117,848	149,258	146,832
Bills receivable	21,166	30,838	87,922	81,987
	142,931	148,686	237,180	228,819
Prepayments, deposits and other receivables:				
Prepayments for purchase of inventories	6,001	3,772	1,951	3,887
Deposits for production performance	8,247	9,508	10,150	11,370
Dividend receivable	340	–	–	–
Prepayments in connection with the proposed initial listing of the Company's shares	–	–	1,260	3,325
Others	209	918	1,505	1,218
	157,728	162,884	252,046	248,619

Our trade and other receivables decreased by 1.3% from RMB252.0 million as at December 31, 2016 to RMB248.6 million as at June 30, 2017. The decrease was mainly due to a decrease in trade and bills receivables reflecting normal seasonality of the business as we achieved higher sales in the second half of 2016 as compared with the first half of 2017.

Our trade and other receivables increased by 54.7% from RMB162.9 million as at December 31, 2015 to RMB252.0 million as at December 31, 2016. The increase was primarily due to an increase in trade and bills receivables as a result of increased sales, in particular increased sales in the fourth quarter of 2016, which resulted in a larger amount of receivables balance as at December 31, 2016.

Our trade and other receivables increased by 3.3% from RMB157.7 million as at December 31, 2014 to RMB162.9 million as at December 31, 2015. The increase was primarily due to an increase in trade and bills receivables as a result of increased sales.

As at November 30, 2017, approximately RMB144.5 million, or 98.4%, of our trade receivables as at June 30, 2017 had been settled; and approximately RMB79.0 million, or 96.3% of our bills receivable as at June 30, 2017 had been settled.

We typically grant a credit period ranging from 30 to 120 days to customers with whom we have established long-standing relationships, which primarily include automobile manufacturers and engine manufacturers in the PRC. We evaluate our credit terms on a case-by-case basis, taking into account a customer's prior credit profile and other additional information specific to the customer. The following table sets forth the aging analysis of our trade and other receivables, based on the invoice date and net of allowance for doubtful debts, as at the dates indicated:

	As at December 31,			**As at June 30,**
	2014	**2015**	**2016**	**2017**
	(RMB'000)	***(RMB'000)***	***(RMB'000)***	***(RMB'000)***
Less than one month	75,752	86,178	133,796	98,158
One to three months	42,693	40,664	64,713	86,478
Three to six months	22,883	20,954	38,249	42,914
Over six months	1,603	890	422	1,269
	142,931	148,686	237,180	228,819

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless we are satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly. In the years ended December 31, 2015 and 2016, we recognized impairment losses of RMB1.3 million and RMB0.6 million, respectively, in respect of trade and bills receivables, the recoverability of which our management deemed was low. Other than this, we have not recognized any impairment loss for trade and bills receivables over the Track Record Period.

For the determination of provision for doubtful debts, we consider factors such as the age of receivables, credit history of the debtors, and prevailing market conditions. Our Directors believe that the provision made for impairment of trade and bills receivables during the Track Record Period was adequate, after assessing the length in time of overdue trade and bills receivables and their recoverability.

As at December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, trade and bills receivables of RMB20.3 million, RMB11.8 million, RMB6.4 million and RMB29.5 million, respectively, were past due but not impaired. The following table sets forth the aging analysis of our trade and bills receivables past due but not impaired, based on the invoice date, as at the dates indicated:

	As at December 31,			As at June 30,
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Less than one month past due	10,653	5,534	2,077	16,952
One to three months past due	5,846	4,715	3,244	10,733
Three to six months past due	2,349	922	837	675
Over six months past due	1,437	612	221	1,133
	20,285	11,783	6,379	29,493

At each of the dates indicated above, receivables that were past due but not impaired related to a number of independent customers that have a good track record with us. Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Save as disclosed above and based on our past experience, our Directors believe that no impairment allowance is necessary in respect of our trade and other receivables as there is no significant change in their credit quality and the balances are considered fully recoverable.

The following table sets forth the average turnover days of our trade and bills receivables during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2014	**2015**	**2016**	**2017**
Average turnover days of our trade and bills receivables(1)	106	111	105	131

Note:

(1) Average turnover days of our trade and bills receivables equal to the average of the opening and closing balances of trade and bills receivables of the relevant year or period divided by revenue of the relevant year or period and multiplied by 365 for a year or by 180 days for a six month period.

There were no significant fluctuations in the average turnover days of our trade and bills receivables for the years ended December 31, 2014, 2015 and 2016. The average turnover days of our trade and bills receivables increased from 105 days for the year ended December 31, 2016 to 131 days for the six months ended June 30, 2017, primarily because we generally allowed a higher degree of latitude in our enforcement of payment terms against our customers during the first half of our fiscal year to maintain good business relationships with our customers. Please refer to the paragraph headed "Risk Factors – Risks Relating to Our Business and Industry – We are exposed to credit risk with regard to our customers, some of whom have, in the past, failed to pay us for their purchases in a timely manner" in this prospectus.

Trade and Other Payables

Our trade and other payables primarily relate to (i) payments we owe to our raw materials suppliers, (ii) payables related to construction of production facilities and purchase of production equipment, (iii) payables for staff related costs, and (iv) payables for other taxes.

The following table sets forth a breakdown of our trade and other receivables as at the dates indicated:

	As at December 31,			As at June 30,
	2014	**2015**	**2016**	**2017**
	(RMB'000)	***(RMB'000)***	***(RMB'000)***	***(RMB'000)***
Trade payables	76,937	81,081	148,494	173,691
Payables for construction of property, plant and equipment	40,675	57,139	92,440	82,005
Payables for staff related costs	10,253	14,297	19,186	16,831
Payables for other taxes	5,539	7,959	6,311	231
Payables for costs incurred in connection with the proposed listing of the Company's shares	–	–	4,568	9,958
Dividends payables	–	–	1,015	2,755
Accrued expenses and other payables	1,729	2,137	8,638	8,778
	135,133	162,613	280,652	294,249

Our trade and other payables increased by 4.8% from RMB280.7 million as at December 31, 2016 to RMB294.2 million as at June 30, 2017, primarily due to increases in (i) trade payables for purchases of raw materials and key components used for our increased production, and (ii) payables for costs incurred in connection with the Listing, partially offset by a decrease in payables for purchase of production equipment primarily due to the settlement of payables to our suppliers related to the construction of three new automated processing lines as part of the implementation of our smart manufacturing process after the completion of these three new automated processing lines during the period.

Our trade and other payables increased by 72.6% from RMB162.6 million as at December 31, 2015 to RMB280.7 million as at December 31, 2016, primarily due to increases in (i) trade payables as a result of increased purchases of raw materials and key components in response to our increased sales, and (ii) payables for purchase of production equipment primarily reflecting larger capital expenditures related to the implementation of our intelligent manufacturing systems in 2016.

Our trade and other payables increased by 20.4% from RMB135.1 million as at December 31, 2014 to RMB162.6 million as at December 31, 2015, primarily due to increases in (i) payables for construction of public rental housing and two new factory buildings, (ii) payables of staff-related costs as a result of provisions made in relation to contribution of social insurance scheme and housing provident fund, and (iii) trade payables as a result of increased purchases of raw materials and key components in response to our increased sales.

As at November 30, 2017, approximately RMB142.2 million, or 81.9%, of our trade payables as at June 30, 2017 had been settled.

Our Group normally receives credit terms of up to 90 days from its suppliers. The following table sets forth the aging analysis of our trade payables based on the invoice date as at the dates indicated:

	As at December 31,			**As at June 30,**
	2014	**2015**	**2016**	**2017**
	(RMB'000)	***(RMB'000)***	***(RMB'000)***	***(RMB'000)***
Less than one month	42,325	43,787	71,787	66,249
One to three months	27,955	32,446	49,082	78,512
Three to six months	3,177	2,352	24,765	24,396
Over six months	3,480	2,496	2,860	4,534
	76,937	81,081	148,494	173,691

Payment for rough cast products purchased directly from customers who are also suppliers is typically made as a set-off against the selling price of finished products incorporating such rough cast products.

The following table sets forth the average turnover days of our trade payables related to the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2014	2015	2016	2017
Average turnover days of our trade payables[1]	91	90	88	128

Note:

(1) Average turnover days of our trade and payables equal to the average of the opening and closing balances of trade payables of the relevant year or period divided by cost of sales of the relevant year or period and multiplied by 365 for a year or by 180 days for a six month period.

There were no significant fluctuations in the average turnover days of our trade payables for the years ended December 31, 2014, 2015 and 2016. The average turnover days of our trade payables increased from 88 days for the year ended December 31, 2016 to 128 days for the six months ended June 30, 2017, primarily due to a higher level of trade payables as at June 30, 2017 as compared to that of December 31, 2016 as a result of our efforts to manage our financial conditions during the first half of our fiscal year.

Deferred Income

Deferred income represents the government grants we received on a one-off basis from local government authorities for the expansion of our production facilities and purchase of new production equipment which have not yet been recognized. The government grants are amortized over the useful life of the property, plant and equipment, with the relevant portion being recognized as revenue in the same periods in which the actual expenses in connection with the expansion or purchase are incurred. The balance of our deferred income amounted to RMB46.0 million, RMB42.9 million, RMB50.1 million and RMB64.9 million, respectively, as at December 31, 2014, 2015, 2016 and June 30, 2017.

Provision for Warranties

We make provisions with respect to the warranties we provide to our customers in relation to sales of our products, taking into account our past claim experience in recent years. According to the warranty agreements with our customers, we provide warranties for product defects arising within the warranty period specified therein, which primarily ranges from one to three years from the date of customer acceptance. Please refer to the paragraph headed "Business – Our Customers – Agreements with Customers – Warranty Agreements" in this prospectus for further details. The following table sets forth a breakdown of our provisions as at the dates indicated:

	As at December 31,			As at June 30,
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
At the beginning of the year/period	3,399	3,626	4,164	4,911
Provisions made	2,448	2,778	2,947	1,342
Provisions utilized	(2,221)	(2,240)	(2,200)	(1,175)
At the end of the year/period	3,626	4,164	4,911	5,078
Less: amount included under "current liabilities"	(1,291)	(1,770)	(2,084)	(2,320)
	2,335	2,394	2,827	2,758

Our claim experience in respect of past sales may not be indicative of future claims that we may receive. Any increase or decrease in the provisions we make may affect our results of operations and financial positions in the future.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements and our purchase of property, plant and equipment, and to repay loans and related interest expenses. To date, we have funded our operations principally with cash generated from our operations and bank loans and other borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash generated from our operating activities, bank loans and other borrowings, net proceeds from this Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in demand for, or pricing of, our products, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity. As at December 31, 2014, 2015 and 2016 and June 30, 2017, we had cash and cash equivalents of RMB11.4 million, RMB19.3 million, RMB9.6 million and RMB16.2 million, respectively.

Cash Flows

The following table sets forth a summary of our combined statement of cash flows during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
				(unaudited)	
Cash and cash equivalents at beginning of the year/period	6,301	11,353	19,328	19,328	9,553
Net cash generated from operating activities	78,143	107,426	142,913	59,818	65,004
Net cash used in investing activities	(86,237)	(98,257)	(185,387)	(128,688)	(74,614)
Net cash generated from/(used in) financing activities	13,146	(1,194)	32,699	57,804	16,212
Net increase/(decrease) in cash and cash equivalents	5,052	7,975	(9,775)	(11,066)	6,602
Cash and cash equivalents at the end of the year/period	11,353	19,328	9,553	8,262	16,155

Cash Flows from Operating Activities

For the six months ended June 30, 2017, we recorded net cash generated from operating activities of RMB65.0 million, consisting of RMB77.4 million in cash generated from operating activities before changes in working capital, net cash outflow of RMB1.0 million relating to changes in working capital and income tax paid of RMB11.4 million. Cash generated from operating activities before changes in working capital of RMB77.4 million were primarily attributable to our profit before taxation of RMB48.7 million, as adjusted by adding back certain non-cash items, comprising depreciation and amortization of RMB26.1 million and finance cost of RMB5.7 million, partially offset by amortization of deferred income of RMB2.6 million. The net cash outflow of RMB1.0 million relating to changes in working capital was primarily due to an increase in inventories of RMB32.6 million in anticipation of sales growth in the second half of 2017, partially offset by (i) an increase in trade and other payables of RMB28.1 million, and (ii) a decrease in trade and other receivables of RMB3.3 million primarily due to seasonality.

For the year ended December 31, 2016, we recorded net cash generated from operating activities of RMB142.9 million, consisting of RMB164.7 million in cash generated from operating activities before changes in working capital, net cash outflow of RMB4.2 million relating to changes in working capital and income tax paid of RMB17.7 million. Cash generated from operating activities before changes in working capital of RMB164.7 million was primarily attributable to our profit before taxation of RMB109.0 million, as adjusted by adding back certain non-cash items, comprising depreciation and amortization of RMB47.6 million and finance cost of RMB13.1 million, partially offset by amortization of deferred income of RMB3.9 million. The net cash outflow of RMB4.2 million relating to changes in working capital was primarily due to (i) increase in trade and other receivables of RMB89.1 million as a result of increased sales in 2016, and (ii) increase in inventories of RMB17.9 million as we increased purchases of raw materials and key components, as well as repair and maintenance materials to be used for our production equipment, partially offset by an increase in trade and other payables of RMB102.1 million as a result of (i) increased purchases of raw materials and key components associated with increased sales, and (ii) capital expenditures related to the implementation of our intelligent manufacturing systems.

For the year ended December 31, 2015, we recorded net cash generated from operating activities of RMB107.4 million, consisting of RMB134.1 million in cash generated from operating activities before changes in working capital, net cash outflow of RMB13.9 million relating to changes in working capital and income tax paid of RMB12.9 million. Cash generated from operating activities before changes in working capital of RMB134.1 million was primarily attributable to our profit before taxation of RMB87.2 million, as adjusted by adding back certain non-cash items, comprising depreciation and amortization of RMB39.2 million and finance cost of RMB12.1 million, partially offset by amortization of deferred income of RMB3.6 million. The net cash outflow of RMB13.9 million relating to changes in working capital was primarily due to (i) increase in inventories of RMB28.0 million in anticipation of increased sales in 2016, and (ii) increase in trade and other receivables of RMB5.5 million as a result of increased sales in 2015, partially offset by an increase in trade and other payables of RMB19.1 million primarily as a result of purchase of raw materials in anticipation of increased sales in 2016.

For the year ended December 31, 2014, we recorded net cash generated from operating activities of RMB78.1 million, consisting of RMB117.2 million in cash generated from operating activities before changes in working capital, net cash outflow of RMB22.3 million relating to changes in working capital and income tax paid of RMB16.7 million. Cash generated from operating activities before changes in working capital of RMB117.2 million was primarily attributable to our profit before taxation of RMB76.7 million, as adjusted by adding back certain non-cash items, comprising depreciation and amortization of RMB31.4 million and finance cost of RMB12.6 million, partially offset by amortization of deferred income of RMB2.6 million. The net cash outflow of RMB22.3 million relating to changes in working capital was primarily due to (i) increase in trade and other receivables of RMB40.4 million, and (ii) increase in inventories of RMB11.6 million, partially offset by an increase in trade and other payables of RMB29.5 million.

Cash Flows from Investing Activities

For the six months ended June 30, 2017, our net cash used in investing activities amounted to RMB74.6 million, primarily attributable to RMB96.7 million in payments related to acquisition of property, plant and equipment and land lease prepayments, partially offset by RMB17.4 million in government grants received for expansion of our production facilities and purchase of new production equipment.

For the year ended December 31, 2016, our net cash used in investing activities amounted to RMB185.4 million, primarily attributable to RMB198.2 million in payments related to acquisition of property, plant and equipment and land lease prepayments, partially offset by RMB11.1 million in government grants received for expansion of our production facilities and purchase of new production equipment.

For the year ended December 31, 2015, our net cash used in investing activities amounted to RMB98.3 million, primarily attributable to RMB106.2 million in payments related to acquisition of property, plant and equipment and land lease prepayments, partially offset by RMB6.0 million in net decrease in available-for-sale financial assets we held for wealth management purposes.

For the year ended December 31, 2014, our net cash used in investing activities amounted to RMB86.2 million, primarily attributable to RMB128.9 million in payments related to acquisition of property, plant and equipment and land lease prepayments, partially offset by (i) RMB37.3 million in government grants received for expansion of our production facilities and purchase of new production equipment, and (ii) RMB4.7 million in net decrease in available-for-sale financial assets we held for wealth management purposes.

Cash Flows from Financing Activities

For the six months ended June 30, 2017, our net cash generated from financing activities amounted to RMB16.2 million, primarily attributable to RMB70.5 million in the proceeds from bank and other loans, partially offset by (i) RMB48.0 million in repayments of bank and other loans, and (ii) RMB5.7 million in interest paid.

For the year ended December 31, 2016, our net cash generated from financing activities amounted to RMB32.7 million, primarily attributable to RMB233.4 million in the proceeds from bank and other loans, partially offset by (i) RMB187.9 million in repayments of bank and other loans, and (ii) RMB12.4 million in interest paid.

For the year ended December 31, 2015, our net cash used in financing activities amounted to RMB1.2 million, primarily attributable to (i) RMB241.6 million in the proceeds from bank and other loans, and (ii) RMB12.1 million in interest paid, partially offset by RMB230.7 million in repayments of bank and other loans.

For the year ended December 31, 2014, our net cash generated from financing activities amounted to RMB13.1 million, primarily attributable to (i) RMB163.6 million in the proceeds from bank and other loans, and (ii) RMB14.5 million in the paid-in capital contribution to our PRC subsidiary, partially offset by (i) RMB152.4 million in repayments of bank and other loans, and (ii) RMB12.6 million in interest paid.

Working Capital

We intend to continue to finance our working capital with cash generated from our operations and by the net proceeds from the Global Offering. We will closely monitor the level of our working capital, particularly in view of our strategy to continue to expand our production capacity, improve our production facilities and processes, and enhance our research and development capabilities.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the cost of constructing new production facilities, purchasing additional production equipment, maintaining and upgrading existing production facilities and equipment, as well as hiring additional engineering and technical staff. Our Directors are of the view that, taking into account our available cash balance, the anticipated cash flow from operations, bank loans and other borrowings and the net proceeds from the Global Offering, we have sufficient working capital to meet our present and anticipated cash requirements for at least 12 months from the date of this prospectus. Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Sole Sponsor concurs with the Directors' view.

CAPITAL EXPENDITURES

Our capital expenditures primarily included expenditures for purchase of property, plant and equipment and land lease prepayments. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we incurred capital expenditures in the amounts of RMB112.7 million, RMB114.7 million, RMB212.4 million and RMB80.5 million, respectively.

The following table sets forth our expenditures on property, plant and equipment and land lease prepayments, respectively, during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Property, plant and equipment	88,646	114,665	175,870	80,497
Land lease prepayments	24,063	–	36,546	–
Total	112,709	114,665	212,416	80,497

The capital expenditures incurred in the year ended December 31, 2014 primarily related to the construction of the KW automatic casting line and purchases of related production equipment. The capital expenditures incurred in the year ended December 31, 2015 primarily related to the construction of public rental housing and two new factory buildings. The capital expenditure incurred in the year ended December 31, 2016 and the six months ended June 30, 2017 primarily related to the implementation of our intelligent manufacturing systems and purchases of additional equipment and machinery used for our production lines.

We expect to incur approximately RMB145.3 million and RMB66.0 million of capital expenditures in the years ending December 31, 2018 and 2019, respectively, to be used to (i) optimize our smart manufacturing process, (ii) purchase production equipment related to strengthening our collaboration with third-party industry partners, (iii) repay a portion of outstanding bank loan, (iv) establish new mechanical processing lines and purchase additional machinery and equipment, and (v) enhance our research and development capabilities. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details. We expect to fund the capital expenditures primarily from net proceeds from the Global Offering, with the remaining to be funded by bank loans and/or internal fund.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments are primarily related to the acquisition of property, plant and equipment, and land use rights. The following table sets forth a summary of our capital commitments as at the dates indicated:

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Commitments in respect of property, plant and equipment and land use rights:				
Contracted for	85,913	64,742	47,986	54,863

INDEBTEDNESS

Bank and Other Loans

Our bank loans and other borrowings primarily consisted of short-term working capital loans and long-term project loans. Our bank and other loans as at December 31, 2014, 2015 and 2016, June 30, 2017 and October 31, 2017, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As at December 31,			As at June 30,	As at October 31,
	2014	2015	2016	2017	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
					(unaudited)
Bank and other loans					
Current					
Bank loans					
– Secured	106,000	96,000	90,833	113,333	105,300
Loans from third parties					
– Secured	20,000	39,000	–	–	–
– Unguaranteed and unsecured	13,667	15,568	–	–	–
Loans from related parties					
– Unguaranteed and unsecured	4,718	4,728	–	–	–
Non-current					
Bank loans					
– Secured	–	–	–	–	16,000
Loans from third parties					
– Unguaranteed and unsecured	–	–	110,000	110,000	130,000
Total indebtedness	144,385	155,296	200,833	223,333	251,300

We primarily borrow from banks, local finance bureaus and financial institutions to supplement our working capital and finance our expenditure. During the Track Record Period, we also borrowed funds from certain related parties, including our key management and their close family members. Our bank loans and other borrowings as at December 31, 2014, 2015 and 2016, June 30, 2017 and October 31, 2017 were all denominated in Renminbi. As at October 31, 2017, we had unutilized banking facilities of RMB106.7 million.

Our bank loans and other borrowings increased from RMB144.4 million as at December 31, 2014 to RMB155.3 million as at December 31, 2015, to RMB200.8 million as at December 31, 2016 and further to RMB223.3 million as at June 30, 2017, primarily due to our increased capital needs for the expansion of our production facilities and purchase of new production equipment.

As at December 31, 2016 and June 30, 2017, our Group's unguaranteed and unsecured loans from third parties amounted to RMB110.0 million, which comprised two loans granted by third parties independent from our Group, the Controlling Shareholders, the Directors, the senior management of our Group or any of their respective associates. One of these loans amounting to RMB60.0 million was granted by China Clean Development Mechanism Fund Management Center* (中國清潔發展機制基金管理中心), which was set up under the direction of the State Council of the PRC, and made available to us by Shenzhou Finance Bureau* (深州市財政局) through on-lending arrangements in support of energy conservation and emission reduction initiatives to be taken by us in the precision casting process of cast iron cylinder blocks and cylinder heads. The other loan in the amount of RMB50.0 million was borrowed from Hebei Offshore Listed Equity Investment Fund Company Limited* (河北境外上市股權投資基金有限公司), a limited liability company established under the laws of the PRC and majority-owned by various state-owned enterprises in Hebei Province.

Under the terms and conditions of the above loans from third parties, we were able to obtain long-term financing without being required to provide any form of security or guarantee. In addition, as such loans were provided by local governmental authorities and state-owned enterprises in Hebei Province to support our business operations, the effective interest rates under such loans were lower than those of our Group's secured bank loans and thus more favorable to us. Although we still had certain amount of unutilized banking facilities, we borrowed funds using such unguaranteed and unsecured loans which we believe provided us with greater flexibility compared with our other financing options, and thus enabled us to utilize and allocate our capital and financial resources in a more efficient manner.

As at the Latest Practicable Date, all guarantees, pledges and mortgages provided by or to our Controlling Shareholders or their respective associates had been released.

Our bank and other loans comprised of fixed rate and variable rate borrowings. The following table details the interest rate profile of our borrowings as at the dates indicated:

	As at December 31,			
	2014		2015	
	Effective interest rate	Amounts	Effective interest rate	Amounts
	%	*RMB'000*	%	*RMB'000*
Current				
Fixed rate borrowings				
– Bank loans	6.59	56,000	5.26	56,000
– Loans from third parties	10.15	33,667	8.74	54,568
– Loans from related parties	7.80	4,718	7.80	4,728
Variable rate borrowings				
– Bank loans	6.60-7.20	50,000	4.73-5.83	40,000
		144,385		155,296

	As at December 31, 2016		As at June 30, 2017	
	Effective interest rate	Amounts	Effective interest rate	Amounts
	%	*RMB'000*	%	*RMB'000*
Current				
Fixed rate borrowings				
– Bank loans	4.21	60,833	4.31	53,333
Variable rate borrowings				
– Bank loans	4.73	30,000	4.73-4.816	60,000
		90,833		113,333
Non-current				
Fix rate borrowings				
– Loan from third parties	4.08	110,000	4.48	110,000
		200,833		223,333

The following table sets forth the maturity profile of our bank loans and other borrowings as at the dates indicated:

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Less than one year or on demand	144,385	155,296	90,833	113,333
After one year but within two years	–	–	50,000	110,000
After two years but within five years	–	–	60,000	–
Total	144,385	155,296	200,833	223,333

As at December 31, 2014, 2015, 2016, June 30, 2017 and October 31, 2017, secured bank and other loans in the amounts of RMB126.0 million, RMB135.0 million, RMB90.8 million, RMB113.3 million and RMB121.3 million, respectively, were secured by buildings and land use rights pledged by Hebei Ruifeng.

Our Directors confirm that as at the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no material breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or material breach of covenants during the Track Record Period and up to the Latest Practicable Date.

We plan to use our proceeds from the Global Offering to repay a portion of our short-term borrowings from Industrial and Commercial Bank of China. Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus for details.

Disclaimer

Except as disclosed above, as at October 31, 2017, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since June 30, 2017.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigation or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since the Latest Practicable Date.

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of RMB13.3 million, of which RMB10.0 million was charged to our combined statements of profit or loss and other comprehensive income during the Track Record Period, and RMB3.3 million was included in trade and other receivables and will be subsequently charged to equity upon completion of the Listing. We expect to incur underwriting commissions and other additional listing expenses of approximately RMB25.9 million after June 30, 2017 (assuming an Offer Price of HK$1.64 per Share, being the mid-point of the Offer Price range stated in this prospectus), of which approximately RMB12.1 million will be charged to the combined/consolidated statements of profit or loss and other comprehensive income after June 30, 2017, and RMB13.8 million will be charged to equity upon completion of the Listing. The listing expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

KEY FINANCIAL RATIOS

	As at/For the year ended December 31,			As at/For the six months ended June 30,
	2014	2015	2016	2017
Net profit margin[(1)]	14.8%	15.3%	14.0%	13.1%
Return on assets[(2)]	10.5%	10.0%	10.2%	7.7%
Return on equity[(3)]	21.0%	19.3%	20.2%	15.9%
Current ratio[(4)]	0.9	0.9	1.0	1.0
Quick ratio[(5)]	0.6	0.6	0.7	0.6
Net debt to equity ratio[(6)]	38.7%	32.6%	37.6%	37.7%
Gearing ratio[(7)]	42.0%	37.2%	39.4%	40.7%

Notes:

(1) Net profit margin equals our net profit divided by revenue for the year or period.

(2) Return on assets equals net profit for the year or period adjusted to an annual basis divided by average total assets as at the beginning and end of the year or period.

(3) Return on equity equals net profit for the year or period adjusted to an annual basis divided by average total equity amounts as at the beginning and end of the year or period.

(4) Current ratio equals our current assets divided by current liabilities as at the end of the year or period.

(5) Quick ratio equals our current assets less inventories divided by current liabilities as at the end of the year or period.

(6) Net debt to equity ratio equals total interest-bearing bank and other loans net of cash and cash equivalents at the end of the year or period divided by total equity at the end of the year or period.

(7) Gearing ratio equals total debt divided by total equity as at the end of the year or period. Total debt includes all interest-bearing bank and other loans.

Analysis of Key Financial Ratios

Net Profit Margin

Our net profit margin decreased from 14.0% for the year ended December 31, 2016 to 13.1% for the six months ended June 30, 2017, primarily related to the expenses incurred in relation to the Listing. Net profit margin decreased from 15.3% for the year ended December 31, 2015 to 14.0% for the year ended December 31, 2016, primarily due to a decrease in our gross profit margin. Net profit margin increased from 14.8% for the year ended December 31, 2014 to 15.3% for the year ended December 31, 2015, primarily due to an increase in our gross profit margin.

Return on Assets and Return on Equity

Our return on assets decreased from 10.2% in 2016 to 7.7% in the six months ended June 30, 2017, primarily due to an increase in average assets we recorded in the six months ended June 30, 2017 as a result of addition of property, plant and equipment related to the implementation of intelligent manufacturing systems and purchases of additional equipment and machinery used for our production lines. Return on assets remained relatively stable at 10.0% and 10.2% in 2015 and 2016, respectively. Return on assets decreased from 10.5% in 2014 to 10.0% in 2015, primarily due to an increase in average assets we recorded in 2015 as a result of addition of property, plant and equipment related to the construction of two new factory buildings and public rental housing.

Our return on equity decreased from 20.2% in 2016 to 15.9% in the six months ended June 30, 2017, primarily due to a decrease in our return on assets in the six months ended June 30, 2017 for the reasons set out in the above paragraph while our equity as a percentage of our total asset remained relatively stable. Return on equity increased from 19.3% in 2015 to 20.2% in 2016, primarily due to an increase in net profit from RMB73.4 million in 2015 to RMB93.7 million in 2016, and such increase outpaced the increase in average equity we recorded in 2016. Return on equity decreased from 21.0% in 2014 to 19.3% in 2015, primarily due to an increase in average equity we recorded in 2015 as a result of a capital contribution to Hebei Ruifeng in 2014.

Current Ratio and Quick Ratio

Our current ratio remained stable at 1.0 as at December 31, 2016 and June 30, 2017, respectively. Our quick ratio decreased from 0.7 as at December 31, 2016 to 0.6 as at June 30, 2017, primarily reflecting an increase in our bank and other loans as we obtained additional short-term bank loans to supplement our working capital in 2017, which led to an increase in our current liabilities from RMB376.3 million as at December 31, 2016 to RMB410.0 million as at June 30, 2017. Current ratio increased from 0.9 as at December 31, 2015 to 1.0 as at December 31, 2016, and quick ratio increased from 0.6 as at December 31, 2015 to 0.7 as at December 31, 2016, primarily reflecting increased inventories and trade and other receivables associated with our increased sales in 2016, which led to an increase in our current assets from RMB280.5 million as at December 31, 2015 to RMB377.8 million as at December 31, 2016. Current ratio and quick ratio remained stable at 0.9 and 0.6, respectively, as at December 31, 2014 and December 31, 2015.

Debt to Equity Ratio and Gearing Ratio

Our debt to equity ratio increased slightly from 37.6% as at December 31, 2016 to 37.7% as at June 30, 2017, and our gearing ratio increased from 39.4% as at December 31, 2016 to 40.7% as at June 30, 2017, primarily due to an increase in our bank and other loans from RMB200.8 million as at December 31, 2016 to RMB223.3 million as at June 30, 2017 as we obtained additional short-term bank loans to supplement our working capital in 2016. Debt to equity ratio increased from 32.6% as at December 31, 2015 to 37.6% as at December 31, 2016, and gearing ratio increased from 37.2% as at December 31, 2015 to 39.4% as at December 31, 2016, primarily due to an increase in our bank and other loans from RMB155.3 million as at December 31, 2015 to RMB200.8 million as at December 31, 2016 as a result of long-term borrowings totaling RMB110.0 million we obtained from third parties in 2016 to expand our operations, partially offset by repayment of certain short-term bank and other loans. Debt to equity ratio decreased from 38.7% as at December 31, 2014 to 32.6%, and gearing ratio decreased from 42.0% as at December 31, 2014 to 37.2% as at December 31, 2015, primarily reflecting an increase in our net profit from RMB63.8 million in 2014 to RMB73.4 million in 2015, which led to an increase in our equity.

RELATED PARTY TRANSACTIONS

We borrowed funds from certain related parties, including our key management and their close family members, during the Track Record Period. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the balance of the related party transactions amounted to RMB4.7 million, RMB4.7 million, nil and nil, respectively. Please refer to note 26 to the Accountants' Report in Appendix I to this prospectus for details of these and other related party transactions.

Our Directors believe that each of the related party transactions set out in note 26 to the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as at June 30, 2017.

DIVIDENDS

Our Company has no fixed dividend policy specifying a dividend payout ratio. The payment and the amount of any dividends, if paid, will depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. The declaration, payment and amount of dividends will be subject to our discretion.

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

In 2014 and 2015, our Group neither declared nor paid any dividends to its equity holders. In 2016 and the six months ended June 30, 2017, our Group declared dividends of RMB1.5 million for 2015 and RMB2.4 million for 2016, respectively, to its equity holders. As at October 31, 2017, all such dividends had been paid in full. Our Company did not declare any dividends to its equity holders subsequent to June 30, 2017. There is, however, no assurance that we will be able to declare dividends of any amount in any future year. In addition, the declaration or payment of dividends may be limited by legal restrictions and/or financing agreements we may enter into in the future.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, except as otherwise disclosed in this prospectus, there had been no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2017 (being the date on which the latest audited combined financial information of our Group was prepared) and there is no event since June 30, 2017 which would materially affect the information shown in our combined financial statements included in the Accountants' Report in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to equity shareholders of the Company as at June 30, 2017 as if the Global Offering had taken place on June 30, 2017.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at June 30, 2017 or at any future date.

	Combined net tangible assets attributable to equity shareholders of the Company as at June 30, 2017(1)	Effect on the completion of Reorganization before the Global Offering(2)	Estimated net proceeds from the Global Offering(3)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share(4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB(4)*	*HK$(5)*
Based on an Offer Price of HK$1.60 per Share	548,928	(20,000)	248,858	777,786	0.97	1.12
Based on an Offer Price of HK$1.68 per Share	548,928	(20,000)	262,262	791,190	0.99	1.14

Notes:

(1) The combined net tangible assets attributable to equity shareholders of the Company as at June 30, 2017 is compiled based on the combined statements of financial position included in the Accountants' Report set out in Appendix I to this prospectus, which is based on the combined total equity attributable to equity shareholders of the Company as at June 30, 2017 of RMB548,928,000, extracted from the historical financial information of the Accountants' Report set out in Appendix I to this prospectus.

(2) In preparation for the Global Offering, the Group underwent the Reorganization as set out under the section headed "History, Reorganization and Corporate Structure" of this prospectus. The adjustment represents the effect of the acquisition of the entire equity interests of Hebei Ruifeng by Hebei Ruifeng Technology from each of Mr. LZ Meng, Mr. YX Zhang, Mr. Wang, Mr. ZW Liu, Mr. EW Liu, Ms. ML Liu, Mr. ZB Zhang, Mr. Ren, Mr. Li, Mr. FC Meng and Mr. Xu for cash at the aggregate consideration of RMB20,000,000, as set out in the section headed "History, Reorganization and Corporate Structure – Reorganization" in this prospectus, which are completed after June 30, 2017, assuming that the Reorganization had been completed on June 30, 2017.

(3) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$1.60 and HK$1.68 per Share, after deduction of the estimated underwriting fees and other related expenses payable by the Group and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme. The estimated net proceeds of the Global Offering have been converted to Renminbi at the rate of HK$1.0000 to RMB0.8682 prevailing on June 30, 2017.

(4) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 800,000,000 Shares, being the number of shares expected to be in issue following the completion of the Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme.

(5) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to Hong Kong dollar with the rate of RMB0.8682 to HK$1.0000 prevailing on June 30, 2017.

(6) The Group's property interests located in the PRC as at September 30, 2017 have been valued by Colliers International (Hong Kong) Limited, an independent property valuer. Details of the valuation in respect of these property interests were set out in Appendix III to this prospectus. The above unaudited pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests. The revaluation surplus has not been recorded in the historical financial information of the Group as at June 30, 2017 and will not be recorded in the consolidated financial statements of the Group in the future periods as the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. If the valuation surplus were recorded in the Group's consolidated financial statements, additional annual depreciation and amortisation of approximately RMB7 million would be charged against the profit in the future periods.

(7) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2017.

(8) The Company did not declare any dividends to its equity holders subsequent to June 30, 2017 and therefore no adjustment has been made to reflect any dividends declared to its equity holders subsequent to June 30, 2017.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks in the ordinary course of our business, including credit risks, liquidity risks and fluctuations in interest rates. We manage our exposure to these and other market risks through regular operating and financial activities.

Credit Risk

We are primarily exposed to credit risk in relation to our trade and other receivables. Our management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The carrying amounts of each financial asset after deducting any impairment allowance and without taking into account any collateral held represent our maximum exposure to credit risk in relation to financial assets.

For trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 30 to 120 days from the date of billing. We perform ongoing credit evaluation of our customers' financial condition and generally do not require collateral on trade receivables.

Our exposure to credit risk is mainly influenced by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when our Group has significant exposure to individual customers. As at December 31, 2014, 2015 and 2016 and June 30, 2017, 37.0%, 16.2%, 9.0% and 12.9% of our total trade and bills receivables, respectively, were due from our largest trade debtor, and 66.1%, 54.4%, 38.1% and 40.5% of our trade and bills receivables, respectively, were due from our five largest trade debtors as at the same dates indicated above.

Liquidity Risk

The individual operating entities within our Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, where approvals by our directors are required when the borrowings exceed certain pre-determined levels of authority. Our Group's policy is to regularly monitor its liquidity requirements and its compliance with the lending covenants of each entity, if any, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the shorter and longer term.

The following table shows the remaining contractual maturities as at December 31, 2014, 2015 and 2016 and June 30, 2017 of our Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting periods) and the earliest date our Group can be required to pay:

	As at December 31, 2014				
	Within 1 year or on demand	**1-2 years**	**2-5 years**	**Total**	**Carrying amount**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Bank and other loans	149,120	–	–	149,120	144,385
Trade and other payables	135,133	–	–	135,133	135,133
	284,253	–	–	284,253	279,518

	As at December 31, 2015				
	Within 1 year or on demand	**1-2 years**	**2-5 years**	**Total**	**Carrying amount**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Bank and other loans	161,241	–	–	161,241	155,296
Trade and other payables	162,613	–	–	162,613	162,613
	323,854	–	–	323,854	317,909

	As at December 31, 2016				
	Within 1 year or on demand	1-2 years	2-5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	97,625	55,503	61,089	214,217	200,833
Trade and other payables	280,652	–	–	280,652	280,652
	378,277	55,503	61,089	494,869	481,485

	As at June 30, 2017				
	Within 1 year or on demand	1-2 years	2-5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	294,249	–	–	294,249	294,249
Trade and other payables	120,953	114,144	–	235,097	223,333
	415,202	114,144	–	529,346	517,582

Interest Rate Risk

Our Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk, respectively.

We currently do not use any interest rate swap contracts or other financial instruments to hedge against our interest rate risk exposure. Our management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level.

Sensitivity Analysis

As at December 31, 2014, 2015 and 2016 and June 30, 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates of floating rate borrowings, with all other variables held constant, would have decreased/increased our profit after tax and retained earnings by approximately RMB425,000, RMB340,000, RMB255,000 and RMB510,000, respectively.

The sensitivity analysis above indicates the instantaneous change in our profit after tax (and retained earnings) of combined equity that would arise assuming that the change in interest rates had occurred at the end of each reporting year/period. The impact is estimated as an annualized impact on interest exposure or income of such a change in interest rates.

PROPERTY INTERESTS AND PROPERTY VALUATION

Colliers International (Hong Kong) Limited, an independent valuer, valued our property interests at RMB519.2 million as of September 30, 2017. The text of the valuation report, valuation summary and valuation certificates are set out in Appendix III to this document.

The table below sets forth the reconciliation of the aggregate amount of net book value of our property interests from the consolidated financial information as of June 30, 2017 to the valuation of property interests as of September 30, 2017:

	RMB'000
Net book value as of June 30, 2017	
Plant and buildings[1]	202,271
Lease prepayments[1]	106,877
Total	309,148
Movements during the period from July 1, 2017 to September 30, 2017 (unaudited)	(3,549)
Net book value as of September 30, 2017 (unaudited)	305,599
Valuation surplus (unaudited)	213,601
Valuation of properties as of September 30, 2017 as set out in Appendix III to this document	519,200

Notes:

(1) The net book values are extracted from the Accountants' Report set out in Appendix I to this document.

(2) The net book value excludes amount relating to machinery and equipment and construction in progress.

FUTURE PLANS

Please refer to "Business – Our Business Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$283.3 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses and assuming an initial Offer Price of HK$1.64 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 43.3%, or HK$122.5 million, is expected to be used primarily to optimize our smart manufacturing process, including:
  - approximately 35.7%, or HK$100.9 million will be used for purchases of automatic production machinery and equipment; and
  - approximately 7.6%, or HK$21.6 million will be used for development and installment of our intelligent manufacturing systems;
- approximately 8.5%, or HK$24.1 million, is expected to be used primarily for the purchase of equipment and other costs related to strengthening our collaboration with third-party industry partners, including (i) approximately HK$11.0 million for the establishment of a Sino-foreign joint venture with a Japanese partner to produce aluminum alloy cylinder blocks and cylinder heads; and (ii) approximately HK$13.1 million for pursuing a strategic partnership with a Swiss technology service provider to jointly develop thermal spray coating technology;
- approximately 16.3%, or HK$46.1 million, is expected to be used primarily to repay a portion of our short-term borrowings;

	Outstanding Amount as of June 30, 2017	Maturity Date	Interest Rate	Use of Borrowings
Industrial and Commercial Bank of China	RMB40,000,000	February 2018	4.75%	Working capital

- approximately 15.1%, or HK$42.8 million, is expected to be used for construction of new mechanical processing lines and purchases of additional machinery and equipment to further increase our production capacity, including:
  - approximately 11.2%, or HK$31.8 million will be used for the construction of a new mechanical processing line for a new model of cylinder block product; and
  - approximately 3.9%, or HK$11.0 million will be used for purchasing additional machinery and equipment to upgrade our existing production lines;
- approximately 12.0%, or HK$34.1 million, is expected to be used to enhance our research and development capabilities, including:
  - approximately 8.3%, or HK$23.6 million will be used for purchasing equipment, machinery and materials used for our research and development projects related to engine spare parts and components used in clean energy vehicles;
  - approximately 3.4%, or HK$9.7 million will be used for expanding our in-house research and development team; and
  - approximately 0.3%, or HK$0.8 million will be used for cooperation with prominent Chinese universities and research institutions to carry out additional research and development projects; and
- approximately 4.8%, or HK$13.7 million, is expected to be used to fund our working capital and general corporate purposes.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts, such as demand deposit accounts, with licensed commercial banks and/or authorized financial institutions in Hong Kong and the PRC.

In the event that the Offer Price is set at the high-end or low-end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, the net proceeds from the Global Offering will be increased or decreased to approximately HK$291.1 million and HK$275.6 million, respectively. Under such circumstances, our intended use of proceeds will be increased or decreased on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$330.8 million, assuming an Offer Price of HK$1.64 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK$8.9 million. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

HONG KONG UNDERWRITERS

Sole Global Coordinator and Sole Bookrunner

Guotai Junan Securities (Hong Kong) Limited

Joint Lead Managers

Guotai Junan Securities (Hong Kong) Limited
Founder Securities (Hong Kong) Limited

Co-Lead Managers

Quasar Securities Co., Limited
Ever-Long Securities Company Limited

Co-Managers

ZMF Asset Management Limited
Freeman Securities Limited
ChaoShang Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 20,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the relevant Application Forms.

Subject to various conditions, which include, but without limitation, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the relevant Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering are subject to termination by notice to our Company from the Sole Global Coordinator (acting for itself and on behalf of the other Hong Kong Underwriters) if prior to 8:00 a.m. on the Listing Date:

(1) there shall develop, occur, exist or come into effect:

(a) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group; or

(b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change (whether or not permanent), in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, but without limitation to, conditions affecting stock and bond markets, money and foreign exchange markets and interbank markets in or affecting any of Hong Kong, the PRC, BVI, Cayman Islands, Singapore, Japan, the United States, the United Kingdom, Switzerland, the European Union (or any member thereof) or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the "Relevant Jurisdictions"); or

(c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or

(d) 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 governmental authority in or affecting any of the Relevant Jurisdictions; or

(e) any change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control), or currency exchange rates or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting any investment in the Shares; or

(f) 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 crisis involving or affecting any of the Relevant Jurisdictions; or

(g) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance in or affecting any of the Relevant Jurisdiction; or

(h) the imposition of economic, political or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdiction; or

(i) any event, or series of events, in the nature of force majeure (including, but without limitation to, acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemics, pandemics, outbreaks of diseases, economic sanction, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting any of the Relevant Jurisdictions; or

(j) any change or development or event involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(k) a prohibition on our Company for whatever reason from allotting any of the Shares pursuant to the terms of the Global Offering; or

(l) any matter or event resulting in a breach of any of the warranties, representation or undertakings contained in the Hong Kong Underwriting Agreement or there has been a material breach of any other provisions thereof,

which, whether individually or in aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(a) is or will individually or in the aggregate have a material and adverse effect on the business, financial or other condition or prospects of our Group taken as a whole; or

(b) has or will have or may have a material adverse impact on the success of the Hong Kong Public Offering, the International Placing and/or the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or

(c) is or will make it impracticable, inadvisable or inexpedient or not commercially viable (i) for any part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offering, the International Placing and/or the Global Offering to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Hong Kong Public Offering, the International Placing and/or the Global Offering on the terms and in the manner contemplated by this prospectus; or

(2) there has come to the notice of the Sole Global Coordinator:

(a) any of the representations, warranties or undertakings given by us, our Controlling Shareholders and our executive Directors under the Hong Kong Underwriting Agreement or pursuant to the International Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Global Coordinator (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;

(b) any statement contained in this prospectus and the Application Forms was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus and the Application Forms were to be issued at that time, constitute an omission therefrom as determined by the Sole Global Coordinator in its sole and absolute discretion; or

(c) any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and/or any announcements issued by us in connection with the Hong Kong Public Offering (including any supplemental or amendment thereto) are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(d) there has been a material breach on the part of any of our Company, our Controlling Shareholders and our executive Directors of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement as determined by the Sole Global Coordinator in its sole and absolute discretion.

Lock-up Undertakings under the Hong Kong Underwriting Agreement

By our Company

Our Company has undertaken to the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that our Company shall not, and each of our Controlling Shareholders and our executive Directors have undertaken to the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters to procure our Company not to, except pursuant to the Capitalization Issue, the Global Offering (including the Over-allotment Option) or the exercise of any options that may be granted under the Share Option Scheme or with the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters), and in compliance with the requirements of the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "First Six-Month Period"):

(a) (except for allotment of shares or securities by our wholly-owned subsidiary(ies) to our Company or the other members of our Group) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect ("Encumbrance") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other members of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other members of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other members of our Group, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other members of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company has also undertaken that it will not, and will procure each other members of our Group not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our

Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the "Second Six-Month Period"). In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that any such act, if done, will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sole Sponsor, the Sole Global Coordinator, the Hong Kong Underwriters and our Company that except pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(a) he or it shall not, directly or indirectly, and shall procure that none of his or its close associates or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, during the First Six-Month Period, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or

(b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-Month Period,

save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-Month Period, (1) such disposal shall not result in any of our Controlling Shareholders ceasing to be our controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-Month Period; and (2) he or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company.

In addition, each of our Controlling Shareholders has further undertaken in favour of our Company on a voluntary basis that at any time during the period of 12 months from the expiry of the First Six-Month Period, it or he shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our controlling shareholder. Any consent or waiver to be given by our Company in respect of this voluntary undertaking will be subject to approval by our independent non-executive Directors.

Without prejudice to the undertakings above, each of the Controlling Shareholders undertakes to the Sole Sponsor, the Sole Global Coordinator, the Hong Kong Underwriters and our Company that within the First Six-Month Period and the Second Six-Month Period, he or it shall:

(a) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Further undertakings by the Controlling Shareholders

By our Controlling Shareholders

In connection with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Global Offering and the Over-allotment Option or unless in compliance with the requirements of the Listing Rules, it or he shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of its or his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner; or (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.

Pursuant to note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have further undertaken to us and the Stock Exchange that it or he will, within a period of commencing on the date by reference to which disclosure of its or his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date:

(i) when it/he pledges/charges any securities beneficially owned by it/him in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge/charge together with the number of securities so pledged/charged; and

(ii) when it/he receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities will be disposed of, immediately inform our Company of such indications.

Restrictions on further issuance

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by our Company 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 in the circumstances as prescribed under Rule 10.08 of the Listing Rules, which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

International Underwriting Agreement

In connection with the International Placing, the International Underwriting Agreement is expected to be entered into between our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares.

The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors will be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. Pursuant to the International Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to as those given under the Hong Kong Underwriting Agreement as described in "Underwriting Arrangements and Expenses – Hong Kong Underwriting Agreement – Lock-up Undertakings under the Hong Kong Underwriting Agreement" in this section.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator (on behalf of the International Underwriters) from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue up to an aggregate of 30,000,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Global Offering at the Offer Price to, amongst other things, cover over-allocations in the International Placing, if any.

Commission and expenses

The Underwriters will receive an underwriting commission of 2.5% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commissions will be paid.

The Sole Sponsor will receive financial advisory and documentation fees. The underwriting commission, financial advisory and documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Global Offering are estimated to amount approximately HK$44.7 million in total (based on an Offer Price of HK$1.64, being the mid-point of the indicative Offer Price range of between HK$1.60 and HK$1.68).

Indemnity

Our Company and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreements as the case may be.

Hong Kong Underwriters' interests in our Company

Save as disclosed in this section and other than pursuant to the Hong Kong Underwriting Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters is interested directly or indirectly in any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in our Company or any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Placing, together referred to as "Syndicate Members", may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for Guotai Junan Securities and its affiliates as the stabilizing manager) must not, in connection with the distribution of our Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to our Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of our Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in different countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, fund management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have our Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities who are involved in directly or indirectly, the buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Share, in baskets of securities or indices including the Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having our Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases. All of these activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering – Over-allocation and Stabilization" in this prospectus. These activities may affect the market price or the value of our Shares, the liquidity or trading volume in our Shares and the volatility of their share price, and the extent to which this occurs on a day to day basis cannot be estimated.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to the Over-allotment Option):

(i) the Hong Kong Public Offering of 20,000,000 Shares (subject to reallocation) in Hong Kong as described below under the paragraphs under "The Hong Kong Public Offering" below; and

(ii) the International Placing of 180,000,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S.

You may apply for the Hong Kong Offer Shares or if qualified to do so, indicate an interest in the International Placing Shares, but you may not apply in both.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as institutional and professional investors and other investors in Hong Kong. The International Placing will involve selective marketing of the International Placing Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Placing Shares. Prospective investors will be required to specify the number of International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of the Hong Kong Offer Shares and the International Placing Shares to be offered under the Hong Kong Public Offering and the International Placing respectively, may be subject to reallocation as described below under the paragraphs under "Pricing and allocation"below.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

(i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued and sold as mentioned herein (including any additional shares which may be issued and sold pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(ii) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator (acting for itself and on behalf of other Underwriters)) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the International Placing and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering on the website of our Company at **www.hbsgt.com** and the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms set out in "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to dispatch Share certificates for the Offer Shares on Thursday, January 4, 2018. However, these Share certificates will only become valid certificates of title if (a) the Global Offering has become unconditional in all respects and (b) the right of termination as described in "Underwriting" in this prospectus has not been exercised, which is expected to be at 8:00 a.m. (Hong Kong time) on the Listing Date.

PRICING AND ALLOCATION

Indicative range of the Offer Price

The Offer Price will not be more than HK$1.68 per Offer Share and is expected to be not less than HK$1.60 per Offer Share, unless otherwise announced no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, 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 range of the Offer Price stated in this prospectus.**

Price payable on application

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$1.68 for each Hong Kong Offer Share (plus brokerage, SFC transaction levy and Stock Exchange trading fees). If the Offer Price is less than HK$1.68, appropriate refund payments (including brokerage, SFC transaction levy and the Stock Exchange trading fees attributable to the surplus application monies) will be made to successful applicants. Further details is set out in the paragraph headed "How to Apply for Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Cheques" in this prospectus.

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Placing Shares. Prospective investors will be required to specify the number of the International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, but to cease on or around, Friday, December 22, 2017 and in any event, not later than Thursday, December 28, 2017.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (acting for itself and on behalf of the other Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, December 22, 2017.

If, for any reason, the Sole Global Coordinator (acting for itself and on behalf of the other Underwriters) and our Company are unable to reach agreement on the Offer Price on or before Thursday, December 28, 2017, the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If the Sole Global Coordinator (acting for itself and on behalf of the other Underwriters) consider it appropriate, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering with the consent of our Company.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Offer Shares, cause to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.hbsgt.com** an announcement of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the working capital statement as currently disclosed in the paragraph headed "Financial Information – Liquidity and Capital Resources – Working Capital" in this prospectus, the offering statistics as currently disclosed in the section headed "Summary" in this prospectus, the use of proceeds in the section headed "Future Plans and Use of Proceeds" in this prospectus, and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative range of the Offer Price and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the indicative range of the Offer Price and/or number of Offer Shares is so reduced.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Offer Shares under the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Offer Shares to under the Hong Kong Public Offering will be based solely on the level of applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of Offer Price and basis of allocations

The Offer Price is expected to be announced on Thursday, January 4, 2018, and the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Thursday, January 4, 2018, on our website **www.hbsgt.com** (in English and Chinese) and on the Hong Kong Stock Exchange's website (**www.hkexnews.hk**) and in a variety of channels in the manner described in the paragraph headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus. You should note that our website and all information contained in our website, does not form part of this prospectus.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement including those described in the paragraphs under "Conditions of the Global Offering" above) for the subscription in Hong Kong of, initially, 20,000,000 Offer Shares at the Offer Price, representing 10% of the initial number of the Offer Shares (before any exercise of the Over-allotment Option). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 2.5% of the enlarged number of our Shares in issue immediately after completion of the Global Offering and the Capitalization Issue but before any exercise of the Over-allotment Option.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation of Hong Kong Offer Shares and International Placing Shares) is to be divided equally into two pools:

Pool A: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregated subscription price of HK$ 5 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable); and

Pool B: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK$ 5 million and up to the value of pool B (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Offer Shares and any application for more than 10,000,000 Hong Kong Offer Shares, being the number of Hong Kong Offer Shares available under each pool, are liable to be rejected.

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. In the event of over applications, a clawback mechanism following the closing of the application lists of the Hong Kong Public Offering shall be applied on the following basis:

(i) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 60,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 80,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 100,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing. The Sole Global Coordinator also has the discretion to reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Placing Shares, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue. Our Company, our Directors and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Shares in the Hong Kong Public Offering.

The Sole Global Coordinator (acting for itself and on behalf of the other Underwriters) may require any investor who has been offered Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator of the Hong Kong Public Offering so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL PLACING

The number of the Offer Shares to be initially offered for subscription and sale under the International Placing will be 180,000,000 Offer Shares, representing 90% of the initial number of the Offer Shares (before the exercise of the Over-allotment Option). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent 22.5% of the enlarged number of our Shares in issue immediately following completion of the Global Offering and the Capitalization Issue but before any exercise of the Over-allotment Option.

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of us by the International Underwriters or through selling agents appointed by them. International Placing Shares will be placed with certain professional and institutional investors and other investors anticipated to have sizeable demand for the International Placing Shares in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions meeting the requirements of, and in reliance on Regulation S or another exemption from registration requirements under the U.S. Securities Act. Prospective investors may be required to give an undertaking and confirmation that they have not applied for or taken up any Hong Kong Offer Shares. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

We are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator at any time from the Listing Date until the 30th days after the last date for the lodging of applications in the Hong Kong Public Offering, to require us to issue up to 30,000,000 additional Shares, representing 15% of the initial number of the Offer Shares. These Shares will be issued at the same price per Share under the International Placing to cover over-allocations in the International Placing, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

OVER-ALLOCATION AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Guotai Junan Securities, as the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 30,000,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the Securities and Futures Ordinance includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(i) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;

(ii) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;

(iii) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;

(iv) no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall; and

(v) the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period. In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 30,000,000 Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Placing, Guotai Junan Securities as the Stabilizing Manager or any person acting for it may choose to borrow Shares from Dragon Rise under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

(i) such stock borrowing arrangement with Dragon Rise will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;

(ii) the maximum number of Shares borrowed from Dragon Rise under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned to Dragon Rise or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised or (b) the day on which the Over-allotment Option is exercised in full;

(iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and

(v) no payment will be made to Dragon Rise by the Stabilizing Manager or its authorized agents in relation to such stock borrowing arrangement.

THE SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, January 5, 2018, dealings in Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, January 5, 2018.

The Shares will be traded in board lots of 2,000 Shares each and the stock code is 2025.

1. HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

(a) use a **WHITE** or **YELLOW** Application Form;

(b) apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or

(c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

(a) are 18 years of age or older;

(b) have a Hong Kong address;

(c) are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and

(d) are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the names of the individual members. If you are a body corporate, the application form must be signed by a duly authorized 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, we and the Sole Global Coordinator (or its agents or nominees) may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** Service Provider for Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

(a) an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;

(b) a director or chief executive of our Company and/or any of our subsidiaries;

(c) a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;

(d) an associate (as defined in the Listing Rules) of any of the above; or

(e) have been allocated or have applied for or have indicated an interest in any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, December 19, 2017 until 12:00 noon on Friday, December 22, 2017 from:

any one of the addresses of the Hong Kong Underwriters:

Guotai Junan Securities (Hong Kong) Limited	28/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central, Hong Kong
Founder Securities (Hong Kong) Limited	21st Floor, 33 Des Voeux Road Central Central, Hong Kong
Quasar Securities Co., Limited	Unit A, 12/F, Harbour Commercial Building 122-124 Connaught Road Central Sheung Wan, Hong Kong
Ever-Long Securities Company Limited	18/F, Dah Sing Life Building 99-105 Des Voeux Road Central, Hong Kong
ZMF Asset Management Limited	Room 2502, World Wide House 19 Des Voeux Road Central, Hong Kong
Freeman Securities Limited	38/F, Bank of China Tower 1 Garden Road, Central, Hong Kong
ChaoShang Securities Limited	Room 4001-2, China Resources Building 26 Harbour Road, Wanchai, Hong Kong

or any of the following branches of Bank of China (Hong Kong) Limited:

	Branch name	Address
Hong Kong Island	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
Kowloon	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
New Territories	City One Sha Tin Branch	Shop Nos. 24-25, G/F, Fortune City One Plus, No. 2 Ngan Shing Street, Shatin
	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, December 19, 2017 until 12:00 noon on Friday, December 22, 2017 from:

(1) the Depository Counter of HKSCC at 1/F One and Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or

(2) your stockbroker, who may have such Application Form and this prospectus available.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – RUIFENG POWER PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of Bank of China (Hong Kong) Limited listed above at the following times:

Tuesday, December 19, 2017	–	9:00 a.m. to 5:00 p.m.
Wednesday, December 20, 2017	–	9:00 a.m. to 5:00 p.m.
Thursday, December 21, 2017	–	9:00 a.m. to 5:00 p.m.
Friday, December 22, 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 Friday, December 22, 2017, the last application day or such later time described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section of this prospectus.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions on the Application Form carefully; otherwise your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** Service Provider, among other things, you:

(a) **undertake** to execute all relevant documents and instruct and authorize us and/or the Sole Global Coordinator (or its agents or nominees) as agents for us to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees, as required by the Articles of Association;

(b) **agree** to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;

(c) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to bound by them;

(d) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information and representations except those in any supplement to this prospectus;

(e) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;

(f) **agree** that none of our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for the information and representations not in this prospectus (and any supplement to this prospectus);

(g) **undertake** and **confirm** that, you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(h) **agree** to disclose to us, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator and the Underwriters and/or their respective advisors and agents personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of us, the Sole Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(j) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) **agree** that your application will be governed by the laws of Hong Kong;

(l) **represent**, **warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) **warrant** that the information you have provided is true and accurate;

(n) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) **authorize** 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 Hong Kong Offer Shares allocated to you, and our Company and/or our Company's agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on your Application Form, unless you are eligible to collect your Share certificate(s) and/or refund cheque(s) in person;

(p) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) **understand** that we and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application** instructions 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 THROUGH HK eIPO WHITE FORM SERVICE

General information

Individuals who meet the criteria in "2. Who can apply for Hong Kong Offer Shares" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White From

Your may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, December 19, 2017 until 11:30 a.m. on Friday, December 22, 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, December 22, 2017 or such later time described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section of this prospectus.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General information

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at **https://ip.ccass.com** (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants"in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One and Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

(a) **agree** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant on your behalf or your CCASS Investor Participant's stock account;

(b) **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

(c) **undertake and confirm** that you have not applied for or taken up, will not apply for or take up or indicate, an interest for any Offer Shares under the International Placing;

(d) (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;

(e) (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 **authorized** to give those instructions as their agent;

(f) **confirm** that you understand that we, our Directors, and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

(g) **authorize** us to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

(h) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(i) **confirm** that you have received and/or read a copy of this prospectus and have only relied 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;

(j) **agree** that none of us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents or advisors and any other parties involved in the Global Offering, is or will be liable for the information and representations not contained in this prospectus (and any supplement to it);

(k) **agree** to disclose your personal data to us, our Hong Kong Share Registrar, the receiving banker, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, and/or any of their respective advisors and agents;

(l) **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, it cannot be rescinded for innocent misrepresentation;

(m) **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 a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of us agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

(n) **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by us;

(o) **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of **electronic application instructions** to apply for the Hong Kong Offer Shares;

(p) **agree** with us, for ourselves and for the benefit of each of our shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association; and

(q) **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 us or any other person in respect of the things mentioned below:

(a) instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

(b) instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or 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 Stock Exchange trading fee), by crediting your designated bank account; and

(c) instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum subscription amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the specified times on the following dates:

Tuesday, December 19, 2017	–	9:00 a.m. to 8:30 p.m.[1]
Wednesday, December 20, 2017	–	8:00 a.m. to 8:30 p.m.[1]
Thursday, December 21, 2017	–	8:00 a.m. to 8:30 p.m.[1]
Friday, December 22, 2017	–	8:00 a.m.[(1)] to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, December 19, 2017 until 12:00 noon on Friday, December 22, 2017 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, December 22, 2017, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section of this prospectus.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, we 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 (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section in the Application Form headed "Personal Data" applies to any personal data held by us, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data and any other information about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. We, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems in the connection to the CCASS Phone System or the CCASS Internet System for submission of **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, December 22, 2017.

8. HOW MANY APPLICATIONS YOU MAY MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

(a) an account number; or

(b) some other identification code

for each beneficial owner (or, in the case of joint beneficial owners, for each such beneficial owner). If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, 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:

(a) the principal business of that company is dealing in securities; and

(b) you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

(a) control the composition of the board of directors of the company; or

(b) control more than half of the voting power of the company; or

(c) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Form.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to participants of the Stock Exchange, the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Further details on the Offer Price is set out in "Structure of the Global Offering – Pricing and allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

(a) a tropical cyclone warning signal number 8 or above; or

(b) a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 22, 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 force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the Application Lists do not open and close on Friday, December 22, 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" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of indication of interest in the International Placing and the level of applications under the Hong Kong Public Offering and the basis of allocation under the Hong Kong Public Offering on Thursday, January 4, 2018 on our website at **www.hbsgt.com**, and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be made available at the times and date and in the manner specified below:

(a) in the announcement to be posted on our website at **www.hbsgt.com** on and the website of the Stock Exchange at **www.hkexnews.hk** by no later than Thursday, January 4, 2018;

(b) from the designated results of allocation website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, January 4, 2018 to 12:00 midnight on Wednesday, January 10, 2018;

(c) by results telephone enquiry line by calling (852) 3691-8488 between 9:00 a.m. and 6:00 p.m. from Thursday, January 4, 2018 to Tuesday, January 9, 2018 on a Business Day; and

(d) in the special allocation results booklets which will be available for inspection during opening hours from Thursday, January 4, 2018 to Monday, January 8, 2018 at the designated receiving bank branches.

If we accept your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the 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 us.

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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) 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 announcement 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 we or our agents exercise our discretion to reject your application

We, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reason.

(iii) If the allotment of Hong Kong Offer Shares is void

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Hong Kong Offer Shares either:

(a) within three weeks from the closing date of the Application Lists; or

(b) within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies us of that longer period within three weeks of the closing date of the Application Lists.

(iv) If:

(a) you make multiple applications or suspected multiple applications;

(b) you or the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;

(c) your Application Form is not completed in accordance with the stated instructions;

(d) your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

(e) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;

(f) the Underwriting Agreements do not become unconditional or are terminated;

(g) we or the Sole Global Coordinator believe(s) that by accepting your application, we or it would violate applicable securities or other laws, rules or regulations;

(h) your application is for more than 50% of the Hong Kong Offer Shares initially offered in the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$1.68 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, January 4, 2018.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

You will receive one Share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary documents of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

(b) refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Thursday, January 4, 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, January 5, 2018, provided that the Global Offering has become unconditional and the right of termination described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Underwriting Agreement – Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

15. PERSONAL COLLECTION

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and/or Share certificate(s) from Tricor Investor Services Limited, our Hong Kong Share Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, January 4, 2018 or any other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address as specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) and/or refund cheque(s) will be sent to the address on your Application Form on Thursday, January 4, 2018 by ordinary post at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on your Application Form on Thursday, January 4, 2018 by ordinary post at your own risk.

If you apply using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, January 4, 2018 or upon contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant) for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "How to Apply for Hong Kong Offer Shares – 11. Publication of results" in this prospectus on Thursday, January 4, 2018. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, January 4, 2018 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account, you can check the number of Hong Kong Offer Shares allocated to you via the CCASS Phone System and the CCASS Internet System.

(c) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar at Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, January 4, 2018, or such other date as notified by our Company in newspapers as the date of dispatch/collection of Share certificate(s)/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, January 4, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to the bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your risk.

(d) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

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 stock account of the CCASS Participant or your CCASS Investor Participant stock account on Thursday, January 4, 2018 or, on any other date determined by HKSCC or HKSCC Nominees.

We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong Identity Card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner described in "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus on Thursday, January 4, 2018. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, January 4, 2018 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, January 4, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies (if any) to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, January 4, 2018.

16. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-50, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RUIFENG POWER GROUP COMPANY LIMITED AND GUOTAI JUNAN CAPITAL LIMITED

Introduction

We report on the historical financial information of Ruifeng Power Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-50, which comprises the combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the statement of financial position of the Company as at 30 June 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements, for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-50 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 19 December 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the Company's financial position as at 30 June 2017, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined cash flow statement for the six months ended 30 June 2016 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 23(b) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 December 2017

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

Combined statements of profit or loss and other comprehensive income
(Expressed in Renminbi ("RMB"))

		Years ended 31 December			Six months ended 30 June	
	Note	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*4*	431,969	481,127	669,894	308,577	319,948
Cost of sales		(292,449)	(321,546)	(476,793)	(221,843)	(225,830)
Gross profit		139,520	159,581	193,101	86,734	94,118
Other income	*5*	4,449	4,559	5,056	2,513	4,495
Selling expenses		(20,154)	(21,009)	(25,857)	(12,276)	(12,958)
Administrative expenses		(34,547)	(43,861)	(50,270)	(22,473)	(31,298)
Profit from operations		89,268	99,270	122,030	54,498	54,357
Finance costs	*6(a)*	(12,581)	(12,077)	(13,064)	(6,739)	(5,664)
Profit before taxation	*6*	76,687	87,193	108,966	47,759	48,693
Income tax	*7(a)*	(12,887)	(13,768)	(15,241)	(6,542)	(6,674)
Profit and total comprehensive income attributable to equity shareholders of the Company for the year/period		63,800	73,425	93,725	41,217	42,019
Earnings per share						
Basic and diluted		N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

Combined statements of financial position

(Expressed in RMB)

	Note	At 31 December 2014 RMB'000	At 31 December 2015 RMB'000	At 31 December 2016 RMB'000	At 30 June 2017 RMB'000
Non-current assets					
Property, plant and equipment	*11*	343,315	419,858	550,089	605,432
Lease prepayments	*12*	74,995	73,456	108,023	106,877
Deferred tax assets	*20(b)*	7,694	7,385	8,618	10,762
Unquoted equity investments	*13*	4,700	4,700	4,000	–
Total non-current assets		430,704	505,399	670,730	723,071
Current assets					
Inventories	*14*	70,324	98,277	116,173	148,728
Trade and other receivables	*15*	157,728	162,884	252,046	248,619
Available-for-sale financial assets	*16*	6,000	–	–	–
Cash and cash equivalents	*17*	11,353	19,328	9,553	16,155
Total current assets		245,405	280,489	377,772	413,502
Current liabilities					
Trade and other payables	*18*	135,133	162,613	280,652	294,249
Bank and other loans	*19(a)*	144,385	155,296	90,833	113,333
Current taxation	*20(a)*	3,341	3,893	2,684	95
Provision for warranties	*22*	1,291	1,770	2,084	2,320
Total current liabilities		284,150	323,572	376,253	409,997
Net current (liabilities)/assets		(38,745)	(43,083)	1,519	3,505
Total assets less current liabilities		391,959	462,316	672,249	726,576
Non-current liabilities					
Other loan	*19(b)*	–	–	110,000	110,000
Deferred income	*21*	46,036	42,909	50,146	64,890
Provision for warranties	*22*	2,335	2,394	2,827	2,758
Total non-current liabilities		48,371	45,303	162,973	177,648
NET ASSETS		343,588	417,013	509,276	548,928
CAPITAL AND RESERVES	*23*				
Paid-in/Share capital		20,000	20,000	20,000	20,001
Reserves		323,588	397,013	489,276	528,927
TOTAL EQUITY		343,588	417,013	509,276	548,928

The accompanying notes form part of the Historical Financial Information.

Statement of financial position of the Company

(Expressed in RMB)

	Note	**At 30 June 2017**
		RMB'000
Current assets		
Cash and cash equivalents		1
Capital and reserves		
Share capital	*23(a)*	1

The accompanying notes form part of the Historical Financial Information.

Combined statements of changes in equity

(Expressed in RMB)

		Attributable to equity shareholders of the Company			
	Note	**Paid-in/ Share capital**	**Statutory reserve**	**Retained profits**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 23(a))	*(Note 23(c))*		
Balance at 1 January 2014		5,500	2,750	257,038	265,288
Changes in equity for the year ended 31 December 2014:					
Profit and total comprehensive income for the year		–	–	63,800	63,800
Capital contributions		14,500	–	–	14,500
Appropriation to reserves		–	6,380	(6,380)	–
Balance at 31 December 2014 and 1 January 2015		20,000	9,130	314,458	343,588
Changes in equity for the year ended 31 December 2015:					
Profit and total comprehensive income for the year		–	–	73,425	73,425
Appropriation to reserves		–	870	(870)	–
Balance at 31 December 2015 and 1 January 2016		20,000	10,000	387,013	417,013
Changes in equity for the year ended 31 December 2016:					
Profit and total comprehensive income for the year		–	–	93,725	93,725
Distributions	*23(b)*	–	–	(1,462)	(1,462)
Balance at 31 December 2016 and 1 January 2017		20,000	10,000	479,276	509,276
Changes in equity for the six months ended 30 June 2017:					
Capital contributions	*23(a)*	1	–	–	1
Profit and total comprehensive income for the period		–	–	42,019	42,019
Distributions	*23(b)*	–	–	(2,368)	(2,368)
Balance at 30 June 2017		20,001	10,000	518,927	548,928
Balance at 31 December 2015 and 1 January 2016		20,000	10,000	387,013	417,013
Changes in equity for the six months ended 30 June 2016 (unaudited):					
Profit and total comprehensive income for the period (unaudited)		–	–	41,217	41,217
Distributions (unaudited)	*23(b)*	–	–	(1,462)	(1,462)
Balance at 30 June 2016 (unaudited)		20,000	10,000	426,768	456,768

The accompanying notes form part of the Historical Financial Information.

Combined cash flow statements

(Expressed in RMB)

	Note	Years ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from operating activities						
Profit before taxation		76,687	87,193	108,966	47,759	48,693
Adjustments for:						
Depreciation and amortisation	*6(c)*	31,397	39,242	47,564	22,467	26,085
Finance costs	*6(a)*	12,581	12,077	13,064	6,739	5,664
Interest income	*5*	(565)	(176)	(573)	(143)	(58)
Dividend income from unquoted equity investments	*5*	(340)	(360)	(462)	(462)	(380)
Net gain on disposal of property, plant and equipment	*5*	(4)	(168)	–	–	(22)
Amortisation of deferred income	*21*	(2,568)	(3,627)	(3,883)	(1,880)	(2,611)
Changes in working capital:						
Increase in inventories		(11,611)	(27,953)	(17,896)	(9,115)	(32,555)
(Increase)/decrease in trade and other receivables		(40,441)	(5,496)	(89,062)	(14,855)	3,327
Increase in trade and other payables		29,529	19,063	102,131	18,788	28,101
Increase in provision for warranties	*22*	227	538	747	344	167
Cash generated from operations		94,892	120,333	160,596	69,642	76,411
Income tax paid	*20(a)*	(16,749)	(12,907)	(17,683)	(9,824)	(11,407)
Net cash generated from operating activities		78,143	107,426	142,913	59,818	65,004

The accompanying notes form part of the Historical Financial Information.

	Note	Years ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from investing activities						
Payments for acquisition of property, plant and equipment and lease prepayments		(128,933)	(106,220)	(198,196)	(119,432)	(96,744)
Government grants received	*21*	37,328	500	11,120	2,500	17,355
Proceeds from sale of property, plant and equipment		103	587	54	39	237
Dividends received from unquoted equity investments		–	700	462	462	380
Proceeds from disposal of unquoted equity investment	*13*	–	–	600	600	4,100
Net decrease/(increase) in available-for-sale financial assets		4,700	6,000	–	(13,000)	–
Interest received		565	176	573	143	58
Net cash used in investing activities		(86,237)	(98,257)	(185,387)	(128,688)	(74,614)

The accompanying notes form part of the Historical Financial Information.

	Note	Years ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from financing activities						
Proceeds from bank and other loans		163,610	241,641	233,393	140,560	70,500
Repayment of bank and other loans		(152,398)	(230,730)	(187,856)	(76,360)	(48,000)
Proceeds from capital contributions received		14,500	–	–	–	–
Dividends paid		–	–	(447)	(447)	(628)
Interest paid		(12,566)	(12,105)	(12,391)	(5,949)	(5,660)
Net cash generated from/(used in) financing activities		13,146	(1,194)	32,699	57,804	16,212
Net increase/(decrease) in cash and cash equivalents		5,052	7,975	(9,775)	(11,066)	6,602
Cash and cash equivalents at the beginning of the year/period	*17*	6,301	11,353	19,328	19,328	9,553
Cash and cash equivalents at the end of the year/period	*17*	11,353	19,328	9,553	8,262	16,155

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Ruifeng Power Group Company Limited (the "Company") was incorporated in the Cayman Islands on 2 May 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, the "Group") are principally engaged in the design, manufacture and sale of cylinder blocks and cylinder heads.

Prior to the incorporation of the Company, the principal business of the Group has been operated under a sole operating subsidiary of the Company, namely Hebei Ruifeng Cylinder Co., Ltd. ("Hebei Ruifeng"). Hebei Ruifeng was established as a limited liability company in the People's Republic of China (the "PRC") with certain individuals being its equity holders. After a series of equity transfers, Hebei Ruifeng's equity interests were held by 11 individuals (collectively referred to as the "Shareholders") as of 30 April 2017. Amongst the Shareholders, Mr Meng Lianzhou, Mr Liu Zhanwen, Mr Zhang Yuexuan and Mr Liu Enwang (collectively referred to as the "Dragon Rise Shareholders") owned in aggregate 68.5% of the equity interests in Hebei Ruifeng.

To rationalise the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a reorganisation (the "Reorganisation"), as detailed in the section headed "History and Development" in the Prospectus.

The Company was incorporated in the Cayman Islands on 2 May 2017, and is owned as to 68.5% by Dragon Rise Ventures Limited ("Dragon Rise") and 31.5% by other five investment companies, all of which were incorporated in the British Virgin Islands (the "BVI"). Dragon Rise was incorporated in the BVI on 25 April 2017 with its entire issued shares held by Dragon Rise Shareholders, who collectively owned 68.5% of the equity interest in Hebei Ruifeng prior to the Reorganisation.

In July 2017, Hebei Ruifeng Power Technology Co., Ltd. ("Ruifeng Technology"), a wholly owned subsidiary of the Company established in the PRC, acquired the entire equity interests of Hebei Ruifeng from each of Hebei Ruifeng's Shareholders at a total consideration of RMB20,000,000. The acquisition became effective on 2 August 2017. Immediately following the acquisition, Hebei Ruifeng became an indirectly wholly-owned subsidiary of the Group.

Upon completion of the Reorganisation on 2 August 2017, the Company became the holding company of the companies now comprising the Group. The Reorganisation only involved inserting of the Company, Long Teng Holdings Limited ("Long Teng"), Turbo Group Investment Limited ("Turbo Group") and Ruifeng Technology, which are newly formed entities with no substantive operations, as holding companies of Hebei Ruifeng and there was no change in the business and operation of Hebei Ruifeng during the Track Record Period. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition, with Hebei Ruifeng treated as the acquirer for accounting purposes. The Historical Financial Information has been prepared and presented as a continuation of the financial statements of Hebei Ruifeng with the assets and liabilities of Hebei Ruifeng recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company, Long Teng, Turbo Group and Ruifeng Technology, as they either have not carried on any business since their respective dates of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in their respective jurisdictions of incorporation/establishment. The financial statements of Hebei Ruifeng for which there were statutory audits performed were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Name of statutory auditor
Hebei Ruifeng *(Notes (i) and (ii))* 河北瑞豐動力缸體有限公司	The PRC 29 August 2007	RMB20,000,000	100%	–	100%	Design, manufacture and sale of cylinder blocks and cylinder heads	Hebei Tiancheng Certified Public Accountants Co., Ltd. *(Note (i))* 河北天成會計師事務所有限公司
Turbo Group	Hong Kong 10 March 2017	1 share	100%	–	100%	Investment holding	N/A
Long Teng	The BVI 25 April 2017	United States Dollar ("US$") 1, 1 share of US$1 each	100%	100%	–	Investment holding	N/A
Ruifeng Technology *(Note (i))* 河北瑞豐動力科技有限公司	The PRC 24 July 2017	Hong Kong Dollars ("HK$") HK$ Nil *(Note (iii))*	100%	–	100%	Investment holding	N/A

Notes:

(i) The English translation of the names are for identification only. The official names of these entities are in Chinese.

(ii) This entity was registered as a limited liability company under the laws and regulations in the PRC.

(iii) This entity was registered as a wholly foreign-owned enterprise under the laws and regulations in the PRC. As at the date of this report, the registered capital of this entity is HK$10,000,000 and paid-up capital is HK$Nil.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2017. The new and revised accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2017 are set out in Note 27.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale financial assets are stated at their fair value.

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is combined into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(g)).

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(g)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(r)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and buildings	20 – 30 years
Machinery and equipment	3 – 10 years
Motor vehicles and others	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(r)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(g)). Other development expenditure is recognised as an expense in the period in which it is incurred.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(g) Impairment of assets

(i) Impairment of investments in debt and equity securities and receivables

Investments in debt and equity securities and receivables that are stated at cost or amortised cost or are classified as available-for-sale are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– prepaid interests in leasehold land classified as being held under an operating lease; and

– investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(h) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(g)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using an effective interest method.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised costs using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(n) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided 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 in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any sales discounts.

(ii) Rendering of services

Revenue from the rendering of processing service is recognised when the related services are rendered.

(iii) Dividends

Dividend income from unlisted investments is recognised when the equity holder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and consequently recognised in profit or loss on a systematic basis over the useful life of the asset.

(q) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into RMB, the Group's reporting currency, at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if:

- (i) that person has control or joint control over the Group;
- (ii) that person has significant influence over the Group; or
- (iii) that person is a member of the key management personnel of the Group or of the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(u) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Notes 2(p)(iii) and 2(p)(iv).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 2(g)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(g)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Notes 2(p)(iii) and 2(p)(iv), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 2(g)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 24 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment losses for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(g)(ii). When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) Impairment losses for doubtful debts

The Group estimates impairment losses for doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the ageing of the receivable balance, debtors' credit-worthiness, 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.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the future operating performance of the Group and require a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised in future periods.

(d) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management of the Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment regularly in order to determine the amount of depreciation expenses to be recorded during any reporting period. The determination of the useful lives and residual values, if any, are based on historical experience with similar assets and taking into account anticipated changes on how such assets are to be deployed. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Warranty provisions

The Group makes provisions under the warranties it gives on sale of its cylinder blocks and cylinder heads after taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future periods.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the manufacture and sale of cylinder blocks and cylinder heads.

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years or periods are set out below:

	Years ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Customer A	200,167	180,782	136,981	70,832	51,867
Customer B	*	61,204	88,808	38,249	51,881
Customer C	*	*	90,498	32,836	39,625
Customer D	*	*	67,670	36,126	*

* Transactions with these customers did not exceed 10% of the Group's revenue in the respective years or periods.

Details of concentration of credit risk arising from the Group's customers are set out in Note 24(a).

(b) Segment reporting

The Group manages its businesses by products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Cylinder blocks: this segment includes primarily the research, development, manufacture and sale of cylinder blocks.

- Cylinder heads: this segment includes primarily the research, development, manufacture and sale of cylinder heads.

- Ancillary cylinder block components: this segment includes primarily the manufacture and sale of ancillary cylinder block components used in cylinder blocks and cylinder heads not covered by the Group's warranty.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sales have occurred during the Track Record Period. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other income and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 (unaudited) and 2017 is set out below.

	Year ended 31 December 2014			
	Cylinder blocks	Cylinder heads	Ancillary cylinder block components	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	308,619	100,390	22,960	431,969
Reportable segment gross profit	89,636	43,216	6,668	139,520

	Year ended 31 December 2015			
	Cylinder blocks	Cylinder heads	Ancillary cylinder block components	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	353,838	97,472	29,817	481,127
Reportable segment gross profit	107,416	42,512	9,653	159,581

	Year ended 31 December 2016			
	Cylinder blocks	Cylinder heads	Ancillary cylinder block components	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	538,944	90,919	40,031	669,894
Reportable segment gross profit	140,855	40,189	12,057	193,101

	Six months ended 30 June 2016 (unaudited)			
	Cylinder blocks	Cylinder heads	Ancillary cylinder block components	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	245,875	45,065	17,637	308,577
Reportable segment gross profit	62,266	19,440	5,028	86,734

	Six months ended 30 June 2017			
	Cylinder blocks	Cylinder heads	Ancillary cylinder block components	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	262,559	45,611	11,778	319,948
Reportable segment gross profit	73,327	19,898	893	94,118

(ii) Geographic information

The Group's revenue is substantially generated from the sale of cylinder blocks and cylinder heads to customers in the PRC. The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

5 OTHER INCOME

	Years ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Government grants (including amortisation of deferred income, see Note 21)	3,489	3,868	3,982	1,880	4,010
Interest income	565	176	573	143	58
Dividend income from unquoted equity investments	340	360	462	462	380
Net gain on disposal of property, plant and equipment	4	168	–	–	22
Others	51	(13)	39	28	25
	4,449	4,559	5,056	2,513	4,495

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Years ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on bank and other loans	11,686	10,866	11,569	5,797	4,675
Bank charges and others	895	1,211	1,495	942	989
	12,581	12,077	13,064	6,739	5,664

No borrowing costs have been capitalised for each of the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 (unaudited) and 2017.

(b) Staff costs#

	Years ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, wages and other benefits	43,724	48,622	61,766	28,935	30,229
Contributions to defined contribution retirement plan	4,679	5,005	5,904	2,836	2,833
	48,403	53,627	67,670	31,771	33,062

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in a defined contribution retirement benefit plan managed by the local government authority. Employees of this subsidiary are entitled to retirement benefits, calculated based on a percentage of the defined salaries level in the PRC (other than Hong Kong), from the above mentioned retirement plan at their normal retirement age.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Years ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Depreciation and amortisation *(Notes 11 and 12)*#	31,397	39,242	47,564	22,467	26,085
Impairment losses on trade and bills receivables *(Note 15(b))*	–	1,251	600	–	–
Operating lease charges in respect of temporary warehouse	23	23	108	54	54
Provision for warranties *(Note 22)*	2,448	2,778	2,947	1,662	1,342
Auditors' remuneration					
– statutory audit services	20	20	20	10	10
– services in connection with the proposed initial listing of the Company's shares	–	–	600	–	360
Research and development costs	15,472	19,663	20,757	9,256	9,545
Cost of inventories# *(Note 14)*	292,449	321,546	476,793	221,843	225,830

Cost of inventories include RMB61,309,000, RMB71,698,000, RMB89,347,000, RMB46,156,000 (unaudited) and RMB46,489,000 relating to staff costs, depreciation and amortisation for each of the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 (unaudited) and 2017 respectively, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the combined statements of profit or loss and other comprehensive income represent:

	Years ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current taxation – PRC Corporate Income Tax *(Note 20(a))*					
Provision for the year/period	18,095	13,459	16,474	6,736	8,818
Deferred taxation *(Note 20(b))*					
Origination and reversal of temporary differences	(5,208)	309	(1,233)	(194)	(2,144)
	12,887	13,768	15,241	6,542	6,674

(b) Reconciliation between tax expenses and accounting profits at applicable tax rates:

	Years ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before taxation	76,687	87,193	108,966	47,759	48,693
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	19,172	21,798	27,242	11,940	12,173
Tax effect of non-deductible expenses	1,384	689	425	59	85
Tax concessions *(Note (iv))*	(7,669)	(8,719)	(12,426)	(5,457)	(5,584)
Actual tax expense	12,887	13,768	15,241	6,542	6,674

Notes:

(i) The Company is not subject to any income tax pursuant to the rules and regulations of the Cayman Islands.

(ii) No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the Track Record Period.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% during the Track Record Period.

(iv) One of the subsidiaries of the Group established in the PRC obtained approvals from the tax bureau to be taxed as an advanced and new technology enterprise. Pursuant to the approvals, this subsidiary is entitled to a preferential PRC Corporate Income Tax rate of 15% for the years from 2012 to 2017. In addition to the preferential PRC Corporate Income Tax rate, this subsidiary is also entitled to an additional tax deductible allowance calculated at 50% of the qualified research and development costs commenced for the year ended 31 December 2016.

8 DIRECTORS' EMOLUMENTS

Details of emoluments of the directors of the Company during the Track Record Period are as follows:

	Year ended 31 December 2014				
	Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Meng Lianzhou	–	197	–	5	202
Mr Liu Zhanwen	–	108	–	–	108
Mr Zhang Yuexuan	–	177	–	–	177
Mr Liu Enwang	–	101	–	5	106
	–	583	–	10	593

	Year ended 31 December 2015				
	Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Meng Lianzhou	–	205	–	5	210
Mr Zhang Yuexuan	–	184	–	–	184
Mr Liu Zhanwen	–	111	–	–	111
Mr Liu Enwang	–	110	–	5	115
	–	610	–	10	620

	Year ended 31 December 2016				
	Directors' fees	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Meng Lianzhou	–	255	–	6	261
Mr Liu Zhanwen	–	147	–	–	147
Mr Zhang Yuexuan	–	229	–	–	229
Mr Liu Enwang	–	147	–	6	153
	–	778	–	12	790

	Six months ended 30 June 2016 (unaudited)				
	Directors' fees	**Salaries, allowances and benefits in-kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Meng Lianzhou	–	123	–	3	126
Mr Liu Zhanwen	–	70	–	–	70
Mr Zhang Yuexuan	–	110	–	–	110
Mr Liu Enwang	–	70	–	3	73
	–	373	–	6	379

	Six months ended 30 June 2017				
	Directors' fees	**Salaries, allowances and benefits in-kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Meng Lianzhou	–	136	–	3	139
Mr Liu Zhanwen	–	79	–	–	79
Mr Zhang Yuexuan	–	122	–	–	122
Mr Liu Enwang	–	79	–	3	82
	–	416	–	6	422

On 2 May 2017, Mr Meng Lianzhou was appointed as a director of the Company, and was redesignated as an executive director on 10 August 2017. On 10 August 2017, Mr Liu Zhanwen, Mr Zhang Yuexuan and Mr Liu Enwang were appointed as executive directors of the Company. On 11 December 2017, Mr Ren Keqiang, Mr Yu Chun Kau and Mr Wei Anli were appointed as independent non-executive directors of the Company.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No remuneration was paid to the independent non-executive directors during the Track Record Period as the independent non-executive directors were appointed subsequent to the Track Record Period.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, two, three, three, four (unaudited) and two are directors for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 (unaudited) and 2017, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining three, two, two, one (unaudited) and three individuals during the Track Record Period are as follows:

	Years ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries and other emoluments	418	286	393	108	334
Retirement scheme contributions	15	10	12	3	9
	433	296	405	111	343

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	Years ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals*	*Number of individuals*
				(unaudited)	
HK$Nil to HK$1,000,000	3	2	2	1	3

During the Track Record Period, no emoluments were paid by the Group to the above individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Track Record Period using the basis of preparation as disclosed in Note 1 above.

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Machinery and equipment	Motor vehicles and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2014	108,658	164,538	7,296	61,060	341,552
Additions	–	–	1,159	87,487	88,646
Transfer in/(out)	–	118,275	–	(118,275)	–
Disposals	–	–	(166)	–	(166)
At 31 December 2014	108,658	282,813	8,289	30,272	430,032
Accumulated depreciation:					
At 1 January 2014	(6,985)	(46,861)	(3,081)	–	(56,927)
Charge for the year	(5,270)	(22,918)	(1,669)	–	(29,857)
Written back on disposals	–	–	67	–	67
At 31 December 2014	(12,255)	(69,779)	(4,683)	–	(86,717)
Carrying amount:					
At 31 December 2014	96,403	213,034	3,606	30,272	343,315
Cost:					
At 1 January 2015	108,658	282,813	8,289	30,272	430,032
Additions	–	–	1,276	113,389	114,665
Transfer in/(out)	73,615	38,725	–	(112,340)	–
Disposals	–	–	(1,670)	–	(1,670)
At 31 December 2015	182,273	321,538	7,895	31,321	543,027
Accumulated depreciation:					
At 1 January 2015	(12,255)	(69,779)	(4,683)	–	(86,717)
Charge for the year	(5,782)	(30,443)	(1,478)	–	(37,703)
Written back on disposals	–	–	1,251	–	1,251
At 31 December 2015	(18,037)	(100,222)	(4,910)	–	(123,169)
Carrying amount:					
At 31 December 2015	164,236	221,316	2,985	31,321	419,858

	Plant and buildings	Machinery and equipment	Motor vehicles and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2016	182,273	321,538	7,895	31,321	543,027
Additions	–	–	4,073	171,797	175,870
Transfer in/(out)	38,106	59,862	–	(97,968)	–
Disposals	–	–	(668)	–	(668)
At 31 December 2016	220,379	381,400	11,300	105,150	718,229
Accumulated depreciation:					
At 1 January 2016	(18,037)	(100,222)	(4,910)	–	(123,169)
Charge for the year	(8,461)	(35,665)	(1,459)	–	(45,585)
Written back on disposals	–	–	614	–	614
At 31 December 2016	(26,498)	(135,887)	(5,755)	–	(168,140)
Carrying amount:					
At 31 December 2016	193,881	245,513	5,545	105,150	550,089
Cost:					
At 1 January 2017	220,379	381,400	11,300	105,150	718,229
Additions	1,700	–	2,333	76,464	80,497
Transfer in/(out)	12,150	9,448	–	(21,598)	–
Disposals	–	(191)	(431)	–	(622)
At 30 June 2017	234,229	390,657	13,202	160,016	798,104
Accumulated depreciation:					
At 1 January 2017	(26,498)	(135,887)	(5,755)	–	(168,140)
Charge for the period	(5,460)	(18,438)	(1,041)	–	(24,939)
Written back on disposals	–	180	227	–	407
At 30 June 2017	(31,958)	(154,145)	(6,569)	–	(192,672)
Carrying amount:					
At 30 June 2017	202,271	236,512	6,633	160,016	605,432

The Group's property, plant and equipment are all located in the PRC.

At 31 December 2014, 2015, 2016 and 30 June 2017, property, plant and equipment of the Group with carrying amount of RMB160,330,000, RMB157,850,000, RMB97,170,000 and RMB58,596,000, respectively, have been pledged as collateral for the Group's short-term bank and other loans (see Note 19).

12 LEASE PREPAYMENTS

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At the beginning of the year/period	55,713	79,776	79,776	116,322
Additions	24,063	–	36,546	–
At the end of the year/period	79,776	79,776	116,322	116,322
Accumulated amortisation:				
At the beginning of the year/period	(3,241)	(4,781)	(6,320)	(8,299)
Charge for the year/period	(1,540)	(1,539)	(1,979)	(1,146)
At the end of the year/period	(4,781)	(6,320)	(8,299)	(9,445)
Carrying amount:				
At the end of the year/period	74,995	73,456	108,023	106,877

Lease prepayments represent land use right premiums paid by the Group for land situated in the PRC. The lease terms are of 50 years.

At 31 December 2014, 2015, 2016 and 30 June 2017, lease prepayments of the Group with carrying amount of RMB58,862,000, RMB44,586,000, RMB32,599,000 and RMB35,474,000, respectively, have been pledged as collateral for the Group's short-term bank and other loans (see Note 19).

13 UNQUOTED EQUITY INVESTMENTS

The Group's unquoted equity investments are private entities established in the PRC:

Name of the company	Particulars of registered capital	Percentage of attributable equity interest	Principal activities
	RMB'000		
Shenzhou Rural Credit Cooperative Association* 深州市農村信用合作聯社	200,000	2%	Financial services
Shanghai Lianchai Power Systems Co., Ltd.* 上海聯柴動力系統有限公司	5,000	14%	Design and sale of power device

The above investments are accounted for using the cost less impairment (if any) in the Historical Financial Information. In preparation of the Company's initial listing on the Stock Exchange, the Group disposed of the above investments in November 2016 and May 2017 to third parties at their respective carrying amounts.

* The English translation of the names are for identification only. The official names of these entities are in Chinese.

14 INVENTORIES

(a) Inventories in the combined statements of financial position comprise:

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and key components	17,207	25,418	40,547	40,400
Work in progress	18,691	27,904	29,764	23,492
Finished goods	36,054	47,113	48,260	86,615
	71,952	100,435	118,571	150,507
Less: Write-down of inventories	(1,628)	(2,158)	(2,398)	(1,779)
	70,324	98,277	116,173	148,728

(b) The analysis of the amount of inventories recognised as an expenses and included in the combined statements of profit or loss and other comprehensive income are as follows:

	Years ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Carrying amount of inventories sold	292,717	321,016	476,553	221,510	226,449
Write-down/(reversal of write-down) of inventories	(268)	530	240	333	(619)
	292,449	321,546	476,793	221,843	225,830

15 TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	121,765	117,848	149,258	146,832
Bills receivable	21,166	30,838	87,922	81,987
	142,931	148,686	237,180	228,819
Prepayments, deposits and other receivables:				
– Prepayments for purchase of inventories	6,001	3,772	1,951	3,887
– Deposits for production performance	8,247	9,508	10,150	11,370
– Prepayments in connection with the proposed initial listing of the Company's shares	–	–	1,260	3,325
– Dividend receivable	340	–	–	–
– Others	209	918	1,505	1,218
	157,728	162,884	252,046	248,619

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

The ageing analysis of trade and bills receivables, included in trade and other receivables, based on the invoice date and net of allowance for doubtful debts (if any), of the Group is as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 month	75,752	86,178	133,796	98,158
1 to 3 months	42,693	40,664	64,713	86,478
3 to 6 months	22,883	20,954	38,249	42,914
Over 6 months	1,603	890	422	1,269
	142,931	148,686	237,180	228,819

The Group's customers mainly included automobile and engine manufacturers in the PRC. Further details on the Group's credit policy are set out in Note 24(a).

(b) Impairment of trade and bills receivables

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 (see Note 2(g)(i)).

The movements in the allowance for doubtful debts during the Track Record Period are as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	–	–	–
Impairment losses recognised	–	(1,251)	(600)	–
Uncollectible amounts written off	–	1,251	600	–
At the end of the year/period	–	–	–	–

The individually impaired receivables related to customers that were in financial difficulties and management assessed that these receivables are irrecoverable.

(c) Trade and other receivable that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	122,646	136,903	230,801	199,326
Less than 1 month past due	10,653	5,534	2,077	16,952
1 to 3 months past due	5,846	4,715	3,244	10,733
3 to 6 months past due	2,349	922	837	675
Over 6 months past due	1,437	612	221	1,133
	142,931	148,686	237,180	228,819

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) At 31 December 2014, 2015 and 2016 and 30 June 2017, the carrying amounts of the Group's bills receivable that have been endorsed to the Group's suppliers to settle the Group's payables towards these suppliers but have not been derecognised in the Historical Financial Information were RMB14,416,000, RMB9,860,000, RMB49,667,000 and RMB42,961,000, respectively.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets as at 31 December 2014 represented the Group's investment in wealth management products issued by certain banks.

17 CASH AND CASH EQUIVALENTS

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand and at bank	11,353	19,328	9,553	16,155

The Group's operation in the PRC (excluding Hong Kong) conducted its business in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

18 TRADE AND OTHER PAYABLES

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	76,937	81,081	148,494	173,691
Payables for construction of property, plant and equipment	40,675	57,139	92,440	82,005
Payables for staff related costs	10,253	14,297	19,186	16,831
Payables for other taxes	5,539	7,959	6,311	231
Payables for costs incurred in connection with the proposed initial listing of the Company's shares	–	–	4,568	9,958
Dividends payables	–	–	1,015	2,755
Accrued expenses and other payables	1,729	2,137	8,638	8,778
	135,133	162,613	280,652	294,249

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The ageing analysis of trade payables, which are included in trade and other payables, based on the invoice date, is as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 month	42,325	43,787	71,787	66,249
1 to 3 months	27,955	32,446	49,082	78,512
3 to 6 months	3,177	2,352	24,765	24,396
Over 6 months	3,480	2,496	2,860	4,534
	76,937	81,081	148,494	173,691

19 BANK AND OTHER LOANS

(a) The Group's short-term bank and other loans comprise:

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans:				
– Secured	106,000	96,000	90,833	113,333
Loans from third parties:				
– Secured	20,000	39,000	–	–
– Unguaranteed and unsecured	13,667	15,568	–	–
	33,667	54,568	–	–
Loans from related parties:				
– Unguaranteed and unsecured *(Note 26(c))*	4,718	4,728	–	–
	144,385	155,296	90,833	113,333

At 31 December 2014, 2015, 2016 and 30 June 2017, the aggregate carrying amount of property, plant and equipment and lease prepayments pledged for the Group's short-term bank and other loans are RMB219,192,000, RMB202,436,000, RMB129,769,000 and RMB94,070,000, respectively.

(b) The Group's long-term other loans comprise:

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans from third parties:				
– Unguaranteed and unsecured	–	–	110,000	110,000

The long-term other loans are repayable as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
After 1 year but within 2 years	–	–	50,000	110,000
After 2 years but within 5 years	–	–	60,000	–
	–	–	110,000	110,000

20 INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the combined statements of financial position represent:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1,995	3,341	3,893	2,684
Provision for the year/period *(Note 7(a))*	18,095	13,459	16,474	8,818
Income tax paid	(16,749)	(12,907)	(17,683)	(11,407)
At the end of the year/period	3,341	3,893	2,684	95

(b) Deferred tax assets recognised:

The deferred tax assets recognised in the combined statements of financial position and the movements throughout the Track Record Period are as follows:

Deferred tax assets arising from:	Government grants and subsequent amortisation	Provisions	Write-down of inventories	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	1,692	510	284	2,486
Credited/(charged) to the combined statement of profit or loss *(Note 7(a))*	5,214	34	(40)	5,208
At 31 December 2014	6,906	544	244	7,694
(Charged)/credited to the combined statement of profit or loss *(Note 7(a))*	(470)	81	80	(309)
At 31 December 2015	6,436	625	324	7,385
Credited to the combined statement of profit or loss *(Note 7(a))*	1,086	111	36	1,233
At 31 December 2016	7,522	736	360	8,618
Credited/(charged) to the combined statement of profit or loss *(Note 7(a))*	2,212	25	(93)	2,144
At 30 June 2017	9,734	761	267	10,762

(c) Deferred tax liabilities not recognised

At 31 December 2014, 2015 and 2016 and 30 June 2017, taxable temporary differences relating to the retained profits of the Group's subsidiaries established in the PRC (excluding Hong Kong) amounted to RMB314,458,000, RMB387,013,000, RMB479,276,000 and RMB518,927,000, respectively, where no deferred tax liabilities in respect of the PRC withholding tax that would be payable on the distributions of these profits were recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

21 DEFERRED INCOME

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	11,276	46,036	42,909	50,146
Additions	37,328	500	11,120	17,355
Credited to the combined statements of profit or loss	(2,568)	(3,627)	(3,883)	(2,611)
At the end of the year/period	46,036	42,909	50,146	64,890

Deferred income represents government grants received to compensate the Group's cost of construction of property, plant and equipment. The grants are amortised over the useful lives of the related property, plant and equipment.

22 PROVISION FOR WARRANTIES

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	3,399	3,626	4,164	4,911
Provisions made	2,448	2,778	2,947	1,342
Provisions utilised	(2,221)	(2,240)	(2,200)	(1,175)
At the end of the year/period	3,626	4,164	4,911	5,078
Less: Amount included under "current liabilities"	(1,291)	(1,770)	(2,084)	(2,320)
	2,335	2,394	2,827	2,758

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within the warranty period, which primarily ranges from one to three years from the date of customer acceptance. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

23 CAPITAL, RESERVES AND DISTRIBUTIONS

(a) Paid-in capital

For the purpose of the Historical Financial Information, the paid-in capital of the Group as at 1 January 2014, 31 December 2014, 31 December 2015 and 31 December 2016 represented the paid-in capital of Hebei Ruifeng, which is the only entity in the Group existed before 2017, and the paid-in/share capital of the Group as at 30 June 2017 represented the combination of the paid-in capital of Hebei Ruifeng and paid-in share of the Company.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 May 2017. Its initial authorised share capital was HK$380,000 divided into 3,800,000 shares with a par value of HK$0.10 per share. In May 2017, the Company issued and allotted/transferred 1 share and 9,998 shares, respectively, at par value for cash to Dragon Rise and other investment companies, the proceeds of HK$999.9 (equivalent to approximately RMB796) were credited to the Company's share capital account. The Company has not carried on any business since the date of incorporation.

(b) Distributions

During the Track Record Period, the Group made the following distributions to its equity holders:

	Years ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Distributions	–	–	1,462	1,462	2,368

The directors of the Company consider that the distribution made during the Track Record Period is not indicative of the future dividend policy of the Group. The Company was incorporated on 2 May 2017 and did not declare any dividends to the equity shareholders of the Company during the Track Record Period.

(c) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Company's subsidiaries established and operated in Mainland China are required to transfer 10% of its net profit to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Subject to the results of credit evaluation, the Group generally grants credit period of 30 to 120 days to its customers. The Group performs ongoing credit evaluation of its customers' financial condition and generally does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2014, 2015 and 2016 and 30 June 2017, 37.0%, 16.2%, 9.0% and 12.9% of the total trade and bills receivables, respectively, were due from the Group's largest trade debtor, and 66.1%, 54.4%, 38.1% and 40.5% of the trade and bills receivables, respectively, were due from the Group's five largest trade debtors.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the combined statements of financial position after deducting any impairment allowance.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 15.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at 31 December 2014, 2015 and 2016 and 30 June 2017 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the respective reporting periods) and the earliest dates the Group can be required to pay:

	At 31 December 2014		At 31 December 2015	
	Contractual undiscounted cash flow within 1 year or on demand	Carrying amount	Contractual undiscounted cash flow within 1 year or on demand	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	135,133	135,133	162,613	162,613
Bank and other loans	149,120	144,385	161,241	155,296
	284,253	279,518	323,854	317,909

	At 31 December 2016				
	Contractual undiscounted cash flow				
	Within 1 year or on demand	Over 1 year but within 2 years	Over 2 years but within 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	280,652	–	–	280,652	280,652
Bank and other loans	97,625	55,503	61,089	214,217	200,833
	378,277	55,503	61,089	494,869	481,485

	At 30 June 2017			
	Contractual undiscounted cash flow			
	Within 1 year or on demand	Over 1 year but within 2 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	294,249	–	294,249	294,249
Bank and other loans	120,953	114,144	235,097	223,333
	415,202	114,144	529,346	517,582

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rate and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings at the end of each reporting period:

	At 31 December 2014		At 31 December 2015	
	Effective interest rate		Effective interest rate	
	%	*RMB'000*	*%*	*RMB'000*
Fixed rate borrowings:				
– Bank loans	6.59%	56,000	5.26%	56,000
– Loans from third parties	10.15%	33,667	8.74%	54,568
– Loans from related parties	7.80%	4,718	7.80%	4,728
		94,385		115,296
Variable rate borrowings:				
– Bank loans	6.60%~7.20%	50,000	4.73%~5.83%	40,000
		144,385		155,296
Fixed rate borrowings as a percentage of total borrowings		65%		74%

	At 31 December 2016		At 30 June 2017	
	Effective interest rate		Effective interest rate	
	%	*RMB'000*	*%*	*RMB'000*
Fixed rate borrowings:				
– Bank loans	4.21%	60,833	4.31%	53,333
– Loans from third parties	4.08%	110,000	4.48%	110,000
		170,833		163,333
Variable rate borrowings:				
– Bank loans	4.73%	30,000	4.73%~4.816%	60,000
		200,833		223,333
Fixed rate borrowings as a percentage of total borrowings		85%		73%

(ii) Sensitivity analysis

At 31 December 2014, 2015 and 2016 and 30 June 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB425,000, RMB340,000, RMB255,000 and RMB510,000, respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period. The impact is estimated as an annualised impact on interest exposure of such a change in interest rates. The sensitivity analysis is performed on the same basis during the Track Record Period.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The fair value measurement of the Group's financial instruments at the end of the reporting period is categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

At 31 December 2014, the fair value measurement of the Group's available-for-sale financial assets (see Note 16) was categorised into Level 2. During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014, 2015 and 2016 and 30 June 2017.

25 COMMITMENTS

Capital commitments outstanding at the end of each reporting period not provided for in the Historical Financial Information were as follows:

	At 31 December			At 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respect of property, plant and equipment and land use rights:				
– Contracted for	85,913	64,742	47,986	54,863

26 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9 during the Track Record Period, is as follows:

	Years ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Short-term employee benefits	1,213	1,291	1,591	767	933
Contributions to defined contribution retirement plan	44	48	53	27	28
	1,257	1,339	1,644	794	961

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Transactions with related parties during the Track Record Period:

	Years ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Key management personnel and their close family members					
– Loans received/ (repaid)	1,790	10	(4,728)	–	–
– Interest expenses	300	361	356	184	–

The loans from key management personnel and their close family members bore interest rate at 7.80% per annum and had been fully repaid in 2016.

(c) Balances with related parties at the end of the reporting period

The Group's balances with related parties as at the end of each reporting period are as follows:

	At 31 December			At 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Key management personnel and their close family members				
– Loans *(Note 19(a))*	4,718	4,728	–	–

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2017

Up to the date of this Historical Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the accounting period beginning on 1 January 2017 and which have not been adopted in the Historical Financial Information. These include the following:

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2014-2016 cycle	
– IFRS 1 First-time Adoption of International Financial Reporting Standards	
– IAS 28 Investments in Associates and Joint Ventures	1 January 2018
Annual Improvements to IFRSs 2014-2016 cycle	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to IFRS 4, *Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts*	1 January 2018
Amendments to IAS 40, *Transfers of investment property*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
IFRS 17, *Insurance contracts*	1 January 2021
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the combined/consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes to the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets, measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI") as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group expects that the adoption of IFRS 15 will not materially affect the Group's combined/consolidated financial statements.

IFRS 16, Leases

As disclosed in Note 2(f), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into leases as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

The Group currently does not have any lease payment under non-cancellable operating leases which is payable more than 1 year after the reporting date. Accordingly, the Group currently assessed that the adoption of IFRS 16 will not have a significant impact on the Group's combined/consolidated financial statements. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt IFRS 16 in its 2018 combined/consolidated financial statements.

28 NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Completion of the Reorganisation

The Reorganisation was completed on 2 August 2017, and the Company became the holding company of the companies now comprising the Group.

(b) Capitalisation issue

Pursuant to the resolutions of the equity shareholders of the Company passed on 11 December 2017 as detailed in the section headed "Statutory and General Information" set out in the Prospectus, the directors of the Company were authorised to allot and issue 599,990,001 shares credited as fully paid at par to the equity shareholders of the Company whose names appeared on the register of members of the Company at the close of business on 11 December 2017 by way of capitalisation of the sum of HK$59,999,000.10 standing to the credit of the share premium account of the Company, and these allotted and issued shares rank pari passu in all respects with the then existing issued shares.

29 ULTIMATE HOLDING PARTIES

The directors of the Company consider the ultimate holding parties of the Company at 30 June 2017 to be the Dragon Rise Shareholders.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company, and any of the subsidiaries comprising the Group in respect of any period subsequent to 30 June 2017.

The information set forth below does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the historical financial information included in the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to equity shareholders of the Company as at 30 June 2017 as if the Global Offering had taken place on 30 June 2017.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 June 2017 or at any future date.

	Combined net tangible assets attributable to equity shareholders of the Company as at 30 June 2017(1)	**Effect on the completion of Reorganisation before the Global Offering**(2)	**Estimated net proceeds from the Global Offering**(3)	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**(4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*(4)	*HK$*(5)
Based on an Offer Price of HK$1.60 per Share	548,928	(20,000)	248,858	777,786	0.97	1.12
Based on an Offer Price of HK$1.68 per Share	548,928	(20,000)	262,262	791,190	0.99	1.14

Notes:

(1) The combined net tangible assets attributable to equity shareholders of the Company as at 30 June 2017 is compiled based on the combined statements of financial position included in the Accountants' Report set out in Appendix I to this prospectus, which is based on the combined total equity attributable to equity shareholders of the Company as at 30 June 2017 of RMB548,928,000, extracted from the historical financial information of the Accountants' Report set out in Appendix I to this prospectus.

(2) In preparation for the Global Offering, the Group underwent the Reorganization as set out under the section headed "History, Reorganization and Corporate Structure" of this prospectus. The adjustment represents the effect of the acquisition of the entire equity interests of Hebei Ruifeng by Ruifeng Technology from each of Mr. LZ Meng, Mr. YX Zhang, Mr. Wang, Mr. ZW Liu, Mr. EW Liu, Ms. ML Liu, Mr. ZB Zhang, Mr. Ren, Mr. Li, Mr. FC Meng and Mr. Xu for cash at the aggregate consideration of RMB20,000,000, as set out in the section headed "History, Reorganization and Corporate Structure – Reorganization" in this prospectus, which are completed after 30 June 2017, assuming that the Reorganization had been completed on 30 June 2017.

(3) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$1.60 and HK$1.68 per Share, after deduction of the estimated underwriting fees and other related expenses payable by the Group and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme. The estimated net proceeds of the Global Offering have been converted to Renminbi at the rate of HK$1.0000 to RMB0.8682 prevailing on 30 June 2017.

(4) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 800,000,000 Shares, being the number of shares expected to be in issue following the completion of the Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme.

(5) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to Hong Kong dollar with the rate of RMB0.8682 to HK$1.0000 prevailing on 30 June 2017.

(6) The Group's property interests located in The People's Republic of China ("The PRC") as at 30 September 2017 have been valued by Colliers International (Hong Kong) Limited, an independent property valuer. Details of the valuation in respect of these property interests were set out in Appendix III to this prospectus. The above unaudited pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests. The revaluation surplus has not been recorded in the historical financial information of the Group as at 30 June 2017 and will not be recorded in the consolidated financial statements of the Group in the future periods as the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. If the valuation surplus were recorded in the Group's consolidated financial statements, additional annual depreciation and amortisation of approximately RMB7 million would be charged against the profit in the future periods.

(7) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2017.

(8) The Company did not declare any dividends to its equity holders subsequent to 30 June 2017 and therefore no adjustment has been made to reflect any dividends declared to its equity holders subsequent to 30 June 2017.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF RUIFENG POWER GROUP COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ruifeng Power Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2017 and related notes as set out in Part A of Appendix II to the prospectus dated 19 December 2017 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2017 as if the Global Offering had taken place at 30 June 2017. As part of this process, information about the Group's financial position as at 30 June 2017 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

19 December 2017

The following is the text of a letter, summary of value and valuation certificates prepared for the purpose of incorporation in this prospectus received from Colliers International (Hong Kong) Limited, an independent valuer, in connection with its valuation as at September 30, 2017 of the property interests of the Group.

Colliers INTERNATIONAL

Colliers International (Hong Kong) Ltd
Valuation & Advisory Services
Company Licence No: C-006052

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The Board of Directors
Ruifeng Power Group Company Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

December 19, 2017

Dear Sirs,

INSTRUCTIONS, PURPOSE AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of the property interests located in The People's Republic of China (the "PRC") held by Ruifeng Power Group Company Limited (the "Company") and its subsidiaries (together with the Company referred to as the "Group" hereinafter). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further details as we consider necessary for the purpose of providing you with our opinion of the Market Value of the property interests as at September 30, 2017 (the "Valuation Date").

VALUATION STANDARDS

The valuation has been carried out in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors with reference to the International Valuation Standards published by the International Valuation Standards Council, and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

BASIS OF VALUATION

Our valuation has been undertaken on the basis of Market Value, which is defined by The Hong Kong Institute of Surveyors as "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". Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of 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 is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

As the properties are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the land use rights.

VALUATION METHODOLOGY

Valuation Methodology

In valuing Property No. 1 with proper title certificates, due to the nature of the buildings and structures that were constructed, there are no readily identifiable market comparable transactions. In the course of our valuation, we have considered their values on the basis of their depreciated replacement costs.

The Depreciated Replacement Cost Approach when used must always subject to adequate potential profitability of the business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed.

Depreciated Replacement Cost is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization.

The Depreciated Replacement Cost of a property generally provides the most reliable indication of value for the property in the absence of a known market based on comparable sales.

In the valuing Property No. 2, we have adopted the Market Approach assuming sale of property interests in their existing states and by making reference to comparable sale transactions as available in the relevant markets.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests and have made relevant enquiries where possible. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advice given by the PRC legal advisor of the Group – Jingtian & Gongcheng, on the PRC laws, regarding the titles of the property interests in the PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal advisor.

All legal documents disclosed in this letter, summary of value and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles of the property interests set out in this letter, summary of value and the valuation certificates.

SOURCES OF INFORMATION

We have relied to a considerable extent on the information provided by the Group and the PRC legal advisor, in respect of the titles of the property interests in the PRC. We have also accepted information and advice given to us on matters such as identification of the properties, particulars of occupancy, statutory notices, easements, tenure, areas, site plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

SITE MEASUREMENT

We have not carried out detailed on-site measurements to verify the correctness of the site area in respect of the properties but have assumed that the areas shown on the documents and plans provided to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We are unaware of any adverse ground conditions affecting the properties and have not had sight of a ground and soil survey. We have not carried out investigations on site to determine the suitability of the ground conditions and services etc. for any future developments. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the development period. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi ("RMB").

We hereby certify that we have neither present nor a prospective interest in the properties or the value reported.

The summary of value and valuation certificates are attached hereto.

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Limited

Vincent Cheung
Registered Professional Surveyor (GP)
BSc(Hons) MBA FRICS MHKIS RPS(GP) MISCM MHKSI
Deputy Managing Director, Valuation & Advisory Services, Asia

Note: Mr. Vincent Cheung holds a Master of Business Administration and he is a Registered Professional Surveyor with over 20 years' experience in real estate industry and assets valuations sector. His experience on valuations covers Hong Kong, Macau, Taiwan, South Korea, Mainland China, Vietnam, Cambodia and other overseas countries. Mr. Cheung is a fellow member of the Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors. Mr. Cheung is one of the valuers on the "list of property valuers for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

SUMMARY OF VALUE

Property Interests Owned and Occupied by the Group in the PRC

No.	Property	Market Value in existing state as at September 30, 2017	Interest attributable to the Group	Market Value in existing state as at September 30, 2017 attributable to the Group
		RMB		*RMB*
1	An industrial facility located at the junction of Taishan East Road, Shun Fa Street and Boling East Road and Boling Road, Shenzhou City, Hebei Province, the PRC	517,500,000	100%	517,500,000
2	Room 301 and 401, and Carport, Block 77, Jianglingliyuan Community, Qinyunpu District, Nanchang, Jiangxi Province, the PRC	1,700,000	100%	1,700,000
	Total:	**519,200,000**		**519,200,000**

VALUATION CERTIFICATE

Property Interests Owned and Occupied by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Market Value in existing state as at September 30, 2017** *RMB*
1	An industrial facility located at the junction of Taishan East Road, Shunfa Street, Boling East Road and Boling Road, Shenzhou City, Hengshui, Hebei Province, the PRC	The property comprises 17 parcels of land with a total site area of 444,050.82 square metres on which 47 buildings are erected, and the construction of these buildings and ancillary structures was completed in various stages from 2008 to 2017. The total gross floor area of the buildings is approximately 268,849.90 square metres (Please refer to Note No. 4 and 5 below). The buildings include an ancillary office, 20 workshops, 5 storages, 2 canteens, a dormitory, 7 guardrooms, 4 ancillary plant rooms, 1 bathroom and 6 blocks of public rental housing. The land use rights of the subject site were granted for various terms (Please refer to Note No. 3 below).	The property is currently occupied by the Group for production and ancillary office purposes.	517,500,000 Renminbi Five Hundred Seventeen Million and Five Hundred Thousand

Notes:

1. The property was inspected by Mr. Kit Cheung *MHKIS MRICS RPS(GP)* on May 25, 2017.

2. The valuation of the property was prepared by Mr. Kit Cheung *MHKIS MRICS RPS(GP)* and Mr. Vincent Cheung *MHKIS FRICS RPS(GP) MISCM MHKSI*.

3. Pursuant to the 14 State-owned Land Use Rights Certificates and 3 Real Estate Title Certificates issued by the People's Government of Shenzhou City, the land use rights of the subject site with a total site area of approximately 444,050.82 square metres were granted to Hebei Ruifeng Cylinder Block Company Limited ("Hebei Ruifeng").

The details of the State-owned Land Use Rights Certificates and the Real Estate Title Certificates are listed as follows:

Item No.	Certificate No.	Date of Issue	Land Use Rights Expiry Date	Use	Site Area
					(sqm)
1	Shen Guo Yong (2011) Di No. Dong Qu 006	February 25, 2011	September 25, 2060	Industrial	11,056.16
2	Shen Guo Yong (2014) Di No. Dong Qu 005	August 4, 2014	December 31, 2063	Industrial	29,712.00
3	Shen Guo Yong (2007) Di No. Dong Qu 027A	January 4, 2008	June 14, 2057	Industrial	25,062.00
4	Shen Guo Yong (2007) Di No. Dong Qu 027B1	July 28, 2008	June 14, 2057	Industrial	17,849.00
5	Shen Guo Yong (2007) Di No. Dong Qu 027B2	July 28, 2008	June 14, 2057	Industrial	19,625.00
6	Shen Guo Yong (2011) Di No. Dong Qu 005A	February 28, 2011	September 25, 2060	Industrial	30,296.64
7	Shen Guo Yong (2011) Di No. Dong Qu 005B	February 28, 2011	September 25, 2060	Industrial	26,756.50
8	Shen Guo Yong (2012) Di No. Dong Qu 015A	November 27, 2012	September 6, 2062	Industrial	12,836.59
9	Shen Guo Yong (2012) Di No. Dong Qu 015B	November 27, 2012	September 6, 2062	Industrial	35,948.75
10	Shen Guo Yong (2012) Di No. Dong Qu 015C	November 27, 2012	September 6, 2062	Industrial	10,301.33
11	Shen Guo Yong (2014) Di No. Dong Qu 004A	January 23, 2015	December 31, 2063	Industrial	17,622.61
12	Shen Guo Yong (2014) Di No. Dong Qu 004B	January 23, 2015	December 31, 2063	Industrial	27,095.21
13	Shen Guo Yong (2014) Di No. Dong Qu 004C	January 23, 2015	December 31, 2063	Industrial	26,909.12
14	Shen Guo Yong (2014) Di No. Dong Qu 004D	January 23, 2015	December 31, 2063	Industrial	10,550.80
15	Ji (2017) Shen Zhou Shi Bu Dong Chan Quan Di No.0000588	May 28, 2017	June 29, 2066	Industrial	36,372.11
16	Ji (2017) Shen Zhou Shi Bu Dong Chan Quan Di No.0000799, 0000800, 0000801, 0000802, 0000803, 0000804	July 21, 2017	December 31, 2083	Urban Residential	25,711.50
17	Ji (2017) Shen Zhou Shi Bu Dong Chan Quan Di No.0000587	May 31, 2017	June 29, 2066	Industrial	80,345.50
				Total:	**444,050.82**

4. Pursuant to the 30 Building Ownership Certificates and 8 Real Estate Title Certificates issued by the Housing and Real Estate Administration Bureau of Shenzhou City, the building ownership rights of 47 buildings with a total gross floor area of 268,849.90 square metres were vested in Hebei Ruifeng.

Details of the Building Ownership Certificates and Real Estate Title Certificates are listed as follows:

Item No.	Certificate No.	Date of Issue	Building	Gross Floor Area *(sqm)*	No. of Level
1	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 13778-37-5	September 16, 2011	Workshop	4,372.64	1 level
2	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 28109-37-12	June 12, 2017	Workshop Storage	8,094.24 6,102.70	1 level 1 level
3	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 28110-37-13	July 7, 2017	Workshop	2,241.30	1 level
4	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 28111-37-14	July 7, 2017	Workshop Workshop Storage	2,241.30 2,313.60 476.80	1 level 1 level 1 level
5	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 11806-37-2	March 9, 2009	Dormitory Ancillary Office Canteen	4,012.00 4,053.00 1,238.60	5 levels 5 levels 1 level
6	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 28108-37-11	June 12, 2017	Workshop	3,447.00	1 level
7	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No.28112-37-15	July 7, 2017	Guardroom Guardroom	105.03 105.03	1 level 1 level
8	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 11908-37-1	May 19, 2009	Workshop	10,361.34	1 level
9	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 10392-37-3	July 30, 2008	Workshop	13,067.32	1 level
10	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 13318-37-4	March 15, 2014	Workshop	19,286.03	1 level
11	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 13779-37-6	September 16, 2011	Workshop	15,534.33	2 levels
12	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 28115-37-18	July 11, 2017	Guardroom	105.03	1 level
13	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 18041-37-7	December 30, 2013	Workshop	6,557.23	1 level

Item No.	Certificate No.	Date of Issue	Building	Gross Floor Area (sqm)	No. of Level
14	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 18042-37-8	December 30, 2013	Workshop	15,935.09	1 level
15	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 28110-32-7	June 12, 2017	Storage	5,270.40	1 level
16	Shen Fang Quan Zheng (2016) Zi Di No.19725-32-2	January 13, 2016	Storage	4,617.36	1 level
17	Shen Fang Quan Zheng (2016) Zi Di No.19724-32-1	January 13, 2016	Workshop	3,581.60	1 level
18	Shen Fang Quan Zheng (2016) Zi Di No.19726-32-3	January 13, 2016	Workshop	17,841.57	1 level
19	Shen Fang Quan Zheng (2016) Zi Di No.19727-32-4	January 13, 2016	Workshop	17,513.95	1 level
20	Shen Fang Quan Zheng (2016) Zi Di No.19729-32-6	January 13, 2016	Canteen	2,302.65	2 level
21	Shen Fang Quan Zheng (2016) Zi Di No.19728-32-5	January 13, 2016	Bathroom	1,087.81	1 level
22	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 28118-37-21	July 11, 2017	Guardroom	105.03	1 level
23	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 28117-37-20	July 11, 2017	Guardroom	105.03	1 level
24	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 28114-37-17	July 11, 2017	Guardroom	105.03	1 level
25	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No. 28116-37-19	July 11, 2017	Guardroom	105.03	1 level
26	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No.28113-37-16	July 7, 2017	Workshop	1,812.00	1 level
27	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No.28123-37-26	September 30, 2017	Ancillary Facilities	170.20	1 level
			Storage	65.88	1 level
28	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No.28121-37-24	September 30, 2017	Ancillary Facilities	45.20	1 level
29	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No.28119-37-22	September 30, 2017	Ancillary Facilities	78.78	1 level

Item No.	Certificate No.	Date of Issue	Building	Gross Floor Area	No. of Level
				(sqm)	
30	Shen Zhou Shi Fang Quan Zheng Shen Fang Zheng Zi Di No.28122-37-25	September 30, 2017	Fire Room	182.45	1 level
RTC1	Jì (2017) Shen Zhou Shi Bu Dong Chan Quan Di No.0000587	May 31, 2017	Workshop Workshop	36,346.24 5,270.40	1 level 1 level
RTC2	Jì (2017) Shen Zhou Shi Bu Dong Chan Quan Di No.0000588	May 28, 2017	Workshop Workshop	16,355.80 5,270.40	1 level 1 level
RTC3	Jì (2017) Shen Zhou Shi Bu Dong Chan Quan Di No.0000799	July 21, 2017	Public Rental Housing	5,544.77	6 levels
RTC4	Jì (2017) Shen Zhou Shi Bu Dong Chan Quan Di No.0000800	July 21, 2017	Public Rental Housing	4,774.38	6 levels
RTC5	Jì (2017) Shen Zhou Shi Bu Dong Chan Quan Di No.0000801	July 21, 2017	Public Rental Housing	4,465.80	6 levels
RTC6	Jì (2017) Shen Zhou Shi Bu Dong Chan Quan Di No.0000802	July 21, 2017	Public Rental Housing	5,318.88	6 levels
RTC7	Jì (2017) Shen Zhou Shi Bu Dong Chan Quan Di No.0000803	July 21, 2017	Public Rental Housing	5,318.88	6 levels
RTC8	Jì (2017) Shen Zhou Shi Bu Dong Chan Quan Di No.0000804	July 21, 2017	Public Rental Housing	5,544.77	6 levels
			Total:	**268,849.90**	

5. The general description of the locality of the property are summarized as below:

Location:	The property is located at the junction of Taishan East Road, Shunfa Street and Boling East Road, Boling Road, Shenzhou City, Hengshui, Hebei Province, the PRC.
Transportation:	Shijiazhuang Zhengding International Airport and the Shenzhou Railway Station are located approximately 110 kilometres and 3 kilometres away from the subject site respectively. Exit of G1811 Highway is located at approximately 3 kilometres from the property.
Nature of Surrounding Area:	The subject area is a predominately industrial area in Shenzhou. Various industrial plants are located in the subject area.

6. We have been provided with a legal opinion regarding the title of the Group's property interests by the PRC Legal Advisor of the Group – Jingtian & Gongcheng, which contains, inter alia, the following:

(a) Hebei Ruifeng has legally obtained the land use rights held under the State-owned Land Use Rights Certificate and Real Estate Title Certificates Nos. 1-17 listed at Note 3.

Hebei Ruifeng has the rights to occupy, use, collect interests from, handle (including but not limited to transfer, lease, mortgage), or by other legal means deal with the land use rights held under the State-owned Land Use Rights Certificate and Real Estate Title Certificates Nos. 2, 10-16 listed at Note 3, within the land use right terms.

For the land use rights held under the State-owned Land Use Rights Certificate and Real Estate Title Certificates Nos. 1, 3, 4, 5-9, 17 to listed at Note 3, which are subject to mortgage, Hebei Ruifeng has the rights to occupy and use such land use rights.

(b) Hebei Ruifeng has legally and effectively owned the building ownership rights held under the Building Ownership Certificate/Real Estate Title Certificate Nos. 1 to 30 and RTC1 to RTC2 listed at Note 4. Hebei Ruifeng is the sole legal owner of such buildings.

Hebei Ruifeng has the rights to occupy, use, lease, mortgage, transfer and handle the buildings held under the Building Ownership Certificate/Real Estate Title Certificate Nos. 2-4, 6-7, 12, 15-30 and RTC2 listed at Note 4.

For the buildings held under the Building Ownership Certificate/Real Estate Title Certificate Nos. 1, 5, 8-11, 13-14 and RTC1 listed at Note 4, which are subject to mortgage, Hebei Ruifeng has the rights to occupy and use such buildings.

(c) Pursuant to a joint ownership and management agreement for public rental housing (the "Ownership and Management Agreement") entered into between Hebei Ruifeng and Shenzhou Low Rent and Affordable Housing Management Center* (深州市廉租住房和經濟適用住房管理中心) ("Affordable Housing Management Center") dated August 25, 2017, both parties acknowledged and agreed that these six blocks of public rental housing ("Public Housing") are jointly owned as to 49.53% by Hebei Ruifeng and 50.47% by the Affordable Housing Management Center.

Based on the agreement, Hebei Ruifeng and the Affordable Housing Management Center should proceed the change in the title of Real Estate Title Certificates from solely owned by Hebei Ruifeng to jointly owned by the Affordable Housing Management Center and Hebei Ruifeng based on the aforementioned proportion.

None of the parties could handle the land or the buildings held under Real Estate Title Certificate Nos. RTC3-8, such as transfer or mortgage without a mutual agreement, except for letting out the public rental housings based on the standard rates mentioned in the agreement.

VALUATION CERTIFICATE

Property Interests Owned and Occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at September 30, 2017 *RMB*
2	Rooms 301 and 401, and Carport, Block 77, Jianglingliyuan Community, Qinyunpu District, Nanchang, Jiangxi Province, the PRC	The property comprises 2 residential apartment units and a carport with a total gross floor area of 209.31 square metres located within a residential block in Jianglingliyuan Community which was completed in about 1995. The land use rights of the subject site were granted for a term of 70 years commencing from December 2, 2000 for residential uses.	The property is currently occupied for residential purposes.	1,700,000 Renminbi One Million and Seven Hundred Thousand

Notes:

1. The property is inspected by Ms. Charlotte Xu on November 7, 2017.

2. The valuation of the property was prepared by Mr. Kit Cheung *MHKIS MRICS RPS(GP)* under the supervision of Mr. Vincent Cheung *MHKIS FRICS RPS(GP) MISCM MHKSI*.

3. Pursuant to Real estate Title Certificate issued by the Land and Resources Bureau of The People's Republic of China, the land uses rights of the Property with an apportioned site area of 653.22 square metres were granted for a term of 70 years expiring on December 1, 2070 for residential uses. The building ownership rights of the property with a gross floor area of 209.31 square metres were vested in Hebei Ruifeng.

   Details of the Real Estate Title Certificate is listed as follows:

Certificate No.	Date of Issue	Land Uses Right Expiry Date	Permitted Uses	No. of Levels	Gross Floor Area *(sqm)*
Gan (2017) Nanchang Shi Bu Dong Chan Quan Di No. 0108574	June 1, 2017	December 1, 2070	Residential	2 levels	209.31

4. The general description and market information of the property are summarized as below:

Location:	The property is located within a residential block adjacent to the Jiangling Activity Centre, Jianglingliyuan Community, Qinyunpu District, Nanchang, Jiangxi Province, the PRC.
Transportation:	Nanchang Nanbei International Airport and Nanchang Railway Station are located approximately 38 kilometres and 6.7 kilometres away from the property respectively.
Nature of Surrounding Area:	The subject area is a predominately residential area in Nanchang. Various residential developments and communal facilities such as sport centre and hospital are located within the area.

5. We have been provided with a legal opinion regarding the legality of the Group's property interests by the Group's PRC legal advisor, which contains, inter alia, the following:

Hebei Ruifeng has legally and effectively owned the building ownership rights held under the Real Estate Title Certificate No. Gan (2017) Nanchang Shi Bu Dong Chan Quan Di No. 0108574. Hebei Ruifeng is the sole legal owner of the property.

FURTHER DETAILS ABOUT OUR COMPANY

1. Establishment of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on May 2, 2017.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises a memorandum of association and the Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix V to this prospectus.

2. Changes in registered capital of our Company

(a) Changes in share capital

(i) As at the date of incorporation of our Company, the authorized share capital was HK$380,000 divided into 3,800,000 Shares having a par value of HK$0.10 each.

(ii) The authorized share capital of our Company was increased from HK$380,000 to HK$1,000,000,000 by the creation of 9,996,200,000 new Shares pursuant to a resolution passed by our Shareholders referred to in paragraph 3 below.

(iii) Immediately following completion of the Global Offering and the Capitalization Issue but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and upon the exercise of the Over-Allotment Option, our authorized share capital will be HK$1,000,000,000 divided into 10,000,000,000 Shares having a par value of HK$0.10 each, of which 800,000,000 Shares will be issued fully paid or credited as fully paid, and 9,200,000,000 Shares will remain unissued.

(iv) Other than pursuant to the exercise of the Over-Allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorized but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in the paragraphs headed "3. Resolutions in writing of our Shareholders passed on December 11, 2017" and "4. Group reorganization" below of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our Shareholders passed on December 11, 2017

By resolutions in writing of our Shareholders passed on December 11, 2017:

(a) we approved and adopted the amended and restated Articles of Association and Memorandum of Association with effect from the Listing Date;

(b) the authorized share capital of our Company was increased from HK$380,000 to HK$1,000,000,000 by the creation of 9,996,200,000 new Shares;

(c) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Global Offering and the grant of the Over-allotment Option by our Company were approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;

(ii) conditional on the share premium account of our Company being credited as a result of the Global Offering or otherwise having sufficient balance, our Directors were authorized to capitalize HK$59,999,000.10 standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 599,990,001 Shares for allotment and issue to the holder(s) of Shares whose name(s) appear(s) on the register of members of our Company at the close of business on December 11, 2017 (or as they may direct) in proportion to their shareholding in the Company so that the Shares allotted and issued pursuant to such resolution shall rank pari passu in all respects with the then existing issued Shares and our Directors were authorized to give effect to such capitalization;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Other Information – 16. Share Option Scheme" of this Appendix, were approved and adopted and our Directors were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering or the Capitalization Issue, or upon the exercise of the Over-allotment Option, an aggregate number of Shares not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(v) a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed or recognized by the SFC and the Stock Exchange for this purpose with an aggregate number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(vi) the extension of the general mandate granted to our Directors as referred to in subparagraph (iv) above to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to the authority granted to our Directors as referred to in subparagraph (v) above; and

(d) the form and substance of each of the service contracts made between our executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our independent non-executive Directors with our Company were approved.

4. Group reorganization

The companies comprising our Group underwent a reorganization to rationalize our Group's structure in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the paragraph headed "History, Reorganization and Corporate Structure – Corporate Restructuring" in this prospectus.

5. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus.

There has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Further details about our Group's PRC establishment

Our Group has interest in the registered capital of a limited liability company established in the PRC through a wholly foreign-owned enterprise in the PRC held by our Group. A summary of each of these companies as at the Latest Practicable Date is set out as follows:

(a) Hebei Ruifeng Technology

Name of the enterprise:	Hebei Ruifeng Technology Company Limited* (河北瑞豐動力科技有限公司)
Date and country of incorporation:	July 24, 2017 The PRC
Economic nature:	Limited liability company
Registered owner:	Turbo Group
Registered capital:	HK$10,000,000
Interest attributable to our Group:	100%
Term of operation:	July 24, 2017 to July 23, 2047
Scope of business:	Research and development of internal combustion engine technology (approval from relevant departments must be obtained prior to operation of projects which require approval under the law)

(b) Hebei Ruifeng

Name of the enterprise:	Hebei Ruifeng Cylinder Block Company Limited* (河北瑞豐動力缸體有限公司)
Date and country of incorporation:	August 29, 2007 The PRC
Economic nature:	Limited liability company
Registered owner:	Hebei Ruifeng Technology
Registered capital:	RMB20,000,000
Interest attributable to our Group:	100%
Term of operation:	August 29, 2007 to infinite
Scope of business:	Internal combustion engine powertrains, internal combustion cylinder blocks, manufacturing of automobile components, processing of mechanical components; export of self-manufactured products and self-invented technologies and import of mechanical equipments, components, raw materials and technologies required by the company, other than commodities and technologies which are subject to restrictions or import or export prohibitions imposed by the state (operating scope excludes projects which are prohibited or require approvals (where the relevant approvals have not been granted) under national laws and regulations)

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by our Shareholders on December 11, 2017, the Repurchase Mandate was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, such mandate to expire at the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of our profits, 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, if so authorized by the Articles of Association and subject to 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 profits of our Company or from sums standing to the credit of our share premium account or, if authorized by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders as a whole.

(d) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or our gearing position as compared to the position disclosed in this prospectus. 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 our working capital requirements or the gearing position which, in the opinion of our Directors, are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Listing, would result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under Part 16 of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part 16 of the Companies Ordinance at Room 09-10, 41/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 12, 2017. Mr. Wong Ka Wai, our company secretary has been appointed as our agent for the acceptance of service of process in Hong Kong.

FURTHER DETAILS ABOUT THE BUSINESS OF OUR COMPANY

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the state-owned land use right transfer agreement* (國有建設用地使用權出讓合同) dated June 20, 2016 entered into between Shenzhou City Land Resource Bureau* (深州市國土資源局) as transferor and Hebei Ruifeng as transferee in relation to the transfer of the use right of a parcel of land situated at the Northern Side of Taishan Road, Shenzhou City, Hebei Province, the PRC with a total site area of 116,717 sq.m for a total consideration of RMB32,920,000;

(b) the equity transfer agreement* (股權轉讓協議) dated July 31, 2017 entered into between Mr. LZ Meng as transferor and Hebei Ruifeng Technology as transferee, as amended by the supplemental confirmatory equity transfer agreement* (股權轉讓補充確認協議) dated August 26, 2017 entered into between Mr. LZ Meng and Hebei Ruifeng Technology, in relation to the transfer of registered capital of Hebei Ruifeng of RMB6,912,500 for a consideration of RMB6,912,500;

(c) the equity transfer agreement* (股權轉讓協議) dated July 31, 2017 entered into between Mr. YX Zhang as transferor and Hebei Ruifeng Technology as transferee, as amended by the supplemental confirmatory equity transfer agreement* (股權轉讓補充確認協議) dated August 26, 2017 entered into between Mr. YX Zhang and Hebei Ruifeng Technology, in relation to the transfer of registered capital of Hebei Ruifeng of RMB3,062,500 for a consideration of RMB3,062,500;

(d) the equity transfer agreement* (股權轉讓協議) dated July 31, 2017 entered into between Mr. Wang as transferor and Hebei Ruifeng Technology as transferee, as amended by the supplemental confirmatory equity transfer agreement* (股權轉讓補充確認協議) dated August 26, 2017 entered into between Mr. Wang and Hebei Ruifeng Technology, in relation to the transfer of registered capital of Hebei Ruifeng of RMB2,262,500 for a consideration of RMB2,262,500;

(e) the equity transfer agreement* (股權轉讓協議) dated July 31, 2017 entered into between Mr. ZW Liu as transferor and Hebei Ruifeng Technology as transferee, as amended by the supplemental confirmatory equity transfer agreement* (股權轉讓補充確認協議) dated August 26, 2017 entered into between Mr. ZW Liu and Hebei Ruifeng Technology, in relation to the transfer of registered capital of Hebei Ruifeng of RMB1,962,500 for a consideration of RMB1,962,500;

(f) the equity transfer agreement* (股權轉讓協議) dated July 31, 2017 entered into between Mr. EW Liu as transferor and Hebei Ruifeng Technology as transferee, as amended by the supplemental confirmatory equity transfer agreement* (股權轉讓補充確認協議) dated August 26, 2017 entered into between Mr. EW Liu and Hebei Ruifeng Technology, in relation to the transfer of registered capital of Hebei Ruifeng of RMB1,762,500 for a consideration of RMB1,762,500;

(g) the equity transfer agreement* (股權轉讓協議) dated July 31, 2017 entered into between Ms. ML Liu as transferor and Hebei Ruifeng Technology as transferee, as amended by the supplemental confirmatory equity transfer agreement* (股權轉讓補充確認協議) dated August 26, 2017 entered into between Ms. ML Liu and Hebei Ruifeng Technology, in relation to the transfer of registered capital of Hebei Ruifeng of RMB1,562,500 for a consideration of RMB1,562,500;

(h) the equity transfer agreement* (股權轉讓協議) dated July 31, 2017 entered into between Mr. ZB Zhang as transferor and Hebei Ruifeng Technology as transferee, as amended by the supplemental confirmatory equity transfer agreement* (股權轉讓補充確認協議) dated August 26, 2017 entered into between Mr. ZB Zhang and Hebei Ruifeng Technology, in relation to the transfer of registered capital of Hebei Ruifeng of RMB1,562,500 for a consideration of RMB1,562,500;

(i) the equity transfer agreement* (股權轉讓協議) dated July 31, 2017 entered into between Mr. Ren as transferor and Hebei Ruifeng Technology as transferee, as amended by the supplemental confirmatory equity transfer agreement* (股權轉讓補充確認協議) dated August 26, 2017 entered into between Mr. Ren and Hebei Ruifeng Technology, in relation to the transfer of registered capital of Hebei Ruifeng of RMB762,500 for a consideration of RMB762,500;

(j) the equity transfer agreement* (股權轉讓協議) dated July 31, 2017 entered into between Mr. Li as transferor and Hebei Ruifeng Technology as transferee, as amended by the supplemental confirmatory equity transfer agreement* (股權轉讓補充確認協議) dated August 26, 2017 entered into between Mr. Li and Hebei Ruifeng Technology, in relation to the transfer of registered capital of Hebei Ruifeng of RMB50,000 for a consideration of RMB50,000;

(k) the equity transfer agreement* (股權轉讓協議) dated July 31, 2017 entered into between Mr. FC Meng as transferor and Hebei Ruifeng Technology as transferee, as amended by the supplemental confirmatory equity transfer agreement* (股權轉讓補充確認協議) dated August 26, 2017 entered into between Mr. FC Meng and Hebei Ruifeng Technology, in relation to the transfer of registered capital of Hebei Ruifeng of RMB50,000 for a consideration of RMB50,000;

(l) the equity transfer agreement* (股權轉讓協議) dated July 31, 2017 entered into between Mr. Xu as transferor and Hebei Ruifeng Technology as transferee, as amended by the supplemental confirmatory equity transfer agreement* (股權轉讓補充確認協議) dated August 26, 2017 entered into between Mr. Xu and Hebei Ruifeng Technology, in relation to the transfer of registered capital of Hebei Ruifeng of RMB50,000 for a consideration of RMB50,000;

(m) the Deed of Indemnity; and

(n) the Hong Kong Underwriting Agreement.

10. Material properties of our Group

As at the Latest Practicable Date, our Group had the following material properties, details of which are set out below:

Address and description of location	Main usage	Area	Restrictions on use	Type of ownership and term of land use rights	Details of encumbrances, liens, pledges and mortgages
		(sq.m) *(approximate)*			
An industrial facility located at the junction of Taishan East Road, Shunfa Street, Boling East Road, and Boling Road, Shenzhou City, Hengshui, Hebei Province, The PRC. The property comprises 17 parcels of land, on which 47 buildings have been erected.	Ancillary office, workshops, storage, canteens, dormitory, guardrooms, ancillary plant rooms, bathroom and public rental housing	Total site area of land: 444,050.82 square meters Total gross floor area of buildings: approximately 268,849.90 square meters	Land: Industrial or urban residential use Buildings: Industrial or residential use	Please refer to the section headed “Business – Properties – Owned Properties – Land” in this prospectus for the ownership of these lands and buildings and the respective expiry dates of the land use rights.	Please refer to the section headed “Business – Properties – Owned Properties” in this prospectus for details.

Save as disclosed above, none of the material properties of our Group as set out above was subject to or involved in any requisition order, pending litigation, dispute or material adverse circumstance as at the Latest Practicable Date.

11. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which might be material in relation to our business:

	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
1		Hebei Ruifeng	PRC	7 *(Note 1)*	14237630	May 7, 2015 to May 6, 2025
2	瑞丰同业	Hebei Ruifeng	PRC	7 *(Note 2)*	7985390	February 28, 2011 to February 27, 2021
3.		Our Company	Hong Kong	7, 12 *(Notes 3 and 4)*	304146750	May 22, 2017 to May 21, 2027
4.		Our Company	Hong Kong	7, 12 *(Notes 3 and 4)*	304146750	May 22, 2017 to May 21, 2027

Notes:

1. The specific products under class 7 in respect of which the trademark was registered are internal combustion engines (other than for use by land vehicles); engine cylinders; engine cylinder heads; motor cylinders; diesel engines (other than for use by land vehicles); petrol engines (other than for use by land vehicles); vehicle engine flywheels.

2. The specific products under class 7 in respect of which the trademark was registered are diesel engines (other than for use by land vehicles); engine cylinders; equipment cylinders; internal combustion engines (other than engines for vehicles, tractors, cereal combine harvesters, motorcycles, chainsaw and steam locomotive); vehicle engine flywheels; petrol engines (other than for use by land vehicles); engine cylinder heads.

3. The specific products under class 7 in respect of which the trademark was registered are cylinder heads for engines; cylinders for motors and engines; cylinders for machines; diesel engines for generation of electricity; diesel engines for machines; air filters for automobile engines.

4. The specific products under class 12 in respect of which the trademark was registered are combustion engines for land vehicles; electric engines for land vehicles; engines for automobiles; engines for land vehicles; hoods for vehicle engines; starting devices for engines of land vehicles; starting devices for internal combustion engines.

(b) Patents

As at the Latest Practicable Date, our Group had the following registered patents which are material in relation to our Group's business:

	Patent *(Note)*	Registered owner	Place of registration	Type	Registration number	Duration of validity
1.	一種發動機缸體的消失模生產工藝 A type of production process of lost-foam casting of engine cylinder blocks	Hebei Ruifeng	PRC	Invention	ZL201210124625.X	April 25, 2012 to April 24, 2032
2.	缸體缸筒油道清洗機 Cleaner for oil ducts of cylinder blocks and cylinders	Hebei Ruifeng	PRC	Utility model	ZL201320365032.2	June 25, 2013 to June 24, 2023
3.	瓦蓋清洗機 Cleaner for tile covers	Hebei Ruifeng	PRC	Utility model	ZL201320365007.4	June 25, 2013 to June 24, 2023
4.	瓦蓋端面自銑機 Tile cover face mill	Hebei Ruifeng	PRC	Utility model	ZL201320364881.6	June 25, 2013 to June 24, 2023
5.	缸體鑽鉸工藝孔定心夾具 Reaming auxiliary hole line-up clamp for cylinder blocks	Hebei Ruifeng	PRC	Utility model	ZL201320364882.0	June 25, 2013 to June 24, 2023
6.	制芯機用自動加沙裝置 Automatic sand-filing device for core-making machines	Hebei Ruifeng	PRC	Utility model	ZL201320364917.0	June 25, 2013 to June 24, 2023

	Patent *(Note)*	Registered owner	Place of registration	Type	Registration number	Duration of validity
7.	加工汽缸多角度斜孔旋轉夾具 Multidirectional inclined hole rotating clamp for cylinder processing	Hebei Ruifeng	PRC	Utility model	ZL201320364902.4	June 25, 2013 to June 24, 2023
8.	缸蓋氣密性檢測機 Gas tightness testing device for cylinder heads	Hebei Ruifeng	PRC	Utility model	ZL201620495947.9	May 29, 2016 to May 28, 2026
9.	缸蓋槍鉸專機 Cylinder head reamer	Hebei Ruifeng	PRC	Utility model	ZL201620495946.4	May 29, 2016 to May 28, 2026
10.	缸蓋真空乾燥機 Vacuum dryer for cylinder heads	Hebei Ruifeng	PRC	Utility model	ZL201620495949.8	May 29, 2016 to May 28, 2026
11.	缸蓋導管和座圈安裝機 Installer for ducts and seat rings of cylinder heads	Hebei Ruifeng	PRC	Utility model	ZL201620495950.0	May 29, 2016 to May 28, 2026
12.	切削液集中處理設備 Centralised processing equipment for cutting fluid	Hebei Ruifeng	PRC	Utility model	ZL201620495948.3	May 29, 2016 to May 28, 2026

Note:

The English translation is for identification and reference only.

(c) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name *(Note)*	**Registration date**	**Expiry date**
hbsgt.com	June 10, 2011	June 10, 2021

12. Related party transactions

Save as disclosed in Note 26 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, we have not engaged in any other material related party transactions.

FURTHER DETAILS ABOUT OUR DIRECTORS AND SHAREHOLDERS

13. Directors

(a) Disclosure of interests of directors

(i) Mr. LZ Meng, Mr. ZW Liu, Mr. YX Zhang and Mr. EW Liu are interested in the Reorganization.

(ii) Save as disclosed in this prospectus, none of our Directors or their associates engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors' service contracts

Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from December 11, 2017. The term of service contract shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party by giving not less than three months' written notice to the other.

With effect from the Listing Date, each of these executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after April 1, 2018 at the discretion of our Directors of not more than 20% of the average salary for the 12 months immediately prior to such increase).

In addition, during the term of the service contract, each of the executive Directors is also entitled to a discretionary management bonus in such sum as the Board may in its absolute discretion determine provided that the aggregate amount of bonuses payable to all the executive Directors for any financial year of our Company shall not exceed 10% of the audited consolidated or combined net profit attributable to the shareholders of our Company (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of our Company. An executive Director shall not vote on any resolution of the Board authorizing the payment of management bonus to him or his associates.

The current basic annual salaries of the executive Directors payable under their service contracts are as follows:

Name	**Annual salary**
	(RMB)
Mr. LZ Meng	360,000
Mr. ZW Liu	180,000
Mr. YX Zhang	264,000
Mr. EW Liu	180,000

Each of Mr. LZ Meng, Mr. ZW Liu, Mr. YX Zhang and Mr. EW Liu has also entered into employment contract with Hebei Ruifeng for a term of two years commencing from January 1, 2017 which may be terminated by either party by giving not less than one month's written notice to the other party. These employment contracts will be superseded and replaced by the service contracts as mentioned above with effect from the Listing Date.

The remuneration of Mr. LZ Meng, Mr. ZW Liu, Mr. YX Zhang and Mr. EW Liu under their respective employment contracts includes the basic salary (which is calculated based on a daily rate and the number of working days) and the performance-based monthly bonus (which is calculated based on the average performance-based monthly bonus of our employees multiplied by the applicable bonus multiplier). The respective daily rates and the applicable bonus multipliers of Mr. LZ Meng, Mr. ZW Liu, Mr. YX Zhang and Mr. EW Liu under their employment contracts are as follows:

Name	**Daily rate**	**Bonus multiplier**
Mr. LZ Meng	RMB320	5.5
Mr. ZW Liu	RMB170	3.5
Mr. YX Zhang	RMB280	5.0
Mr. EW Liu	RMB170	3.5

Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of three years commencing from December 11, 2017 which may be terminated by either party by giving not less than three months' written notice. The term of appointment shall be renewed and extended automatically for successive terms of two years upon expiry of the then current term until terminated by either party giving not less than three months' written notice to the other. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office, removal and retirement by rotation of Directors. Each of the independent non-executive Directors is entitled to a director's fee of HK$120,000 per annum with effect from the Listing Date. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

(c) Remuneration of Directors

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the financial years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were approximately RMB593,000, RMB620,000, RMB790,000 and RMB422,000, respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending December 31, 2017, are expected to be approximately RMB889,000.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 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.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017.

(d) Interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations following the Global Offering

Immediately following completion of the Global Offering and the Capitalization Issue and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

Name of Director	Name of Group member	Capacity/ Nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Mr. LZ Meng *(Note 2)*	Our Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	5,044 shares of US$1.00 each (L)	50.46%
Mr. ZW Liu *(Note 2)*	Our Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	1,432 shares of US$1.00 each (L)	14.32%
Mr. YX Zhang *(Note 2)*	Our Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	2,235 shares of US$1.00 each (L)	22.36%
Mr. EW Liu *(Note 2)*	Our Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	1,286 shares of US$1.00 each (L)	12.86%

Notes:

1. The letter "L" denotes a long position in the Shares or shares of relevant associated corporation.

2. These 411,042,000 Shares are held by Dragon Rise, the issued shares of which are owned as to approximately 50.46% by Mr. LZ Meng, approximately 14.32% by Mr. ZW Liu, approximately 22.36% by Mr. YX Zhang and approximately 12.86% by Mr. EW Liu respectively. On August 28, 2017, Mr. LZ Meng, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu entered into a concert party agreement to, among others, confirm their acting-in-concert agreement. Under the SFO, each of Mr. LZ Meng, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu is taken to be interested in the Shares beneficially owned by Dragon Rise.

14. Interests discloseable under the SFO and substantial shareholders

So far as is known to our Directors and the chief executive of our Company, immediately following completion of the Global Offering and the Capitalization Issue but without taking into account any Shares which may be taken up or acquired in the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, other than our Directors or the chief executive of our Company whose interests are disclosed under the sub-paragraph headed "Interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations following the Global Offering" above, the following persons will have interests or short positions in the Shares or underlying Shares which will fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholders	Capacity/ Nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Dragon Rise	Beneficial owner	411,042,000 Share (L)	51.38%
Ms. Zhao *(Note 2)*	Interest of spouse	411,042,000 Share (L)	51.38%
Ms. Meng Dongdong (孟冬冬) *(Note 3)*	Interest of spouse	411,042,000 Share (L)	51.38%
Ms. Xiao Zhiru (肖智茹) *(Note 4)*	Interest of spouse	411,042,000 Share (L)	51.38%
Ms. Wang Sujuan (王素娟) *(Note 5)*	Interest of spouse	411,042,000 Share (L)	51.38%
Radiant Path	Beneficial owner	67,868,000 Share (L)	8.48%
Mr. Wang *(Note 6)*	Interest of controlled corporation	67,868,000 Share (L)	8.48%
Ms. Yin *(Note 7)*	Interest of spouse	67,868,000 Share (L)	8.48%
Great Ally	Beneficial owner	46,864,000 Share (L)	5.86%
Mr. ZB Zhang *(Note 8)*	Interest of controlled corporation	46,864,000 Share (L)	5.86%
Ms. Zhu Yunchuan (朱雲川) *(Note 9)*	Interest of spouse	46,864,000 Share (L)	5.86%
Rosy Raise	Beneficial owner	46,864,000 Share (L)	5.86%
Ms. ML Liu *(Note 10)*	Interest of controlled corporation	46,864,000 Share (L)	5.86%
Mr. Li Xunye (李訓業) *(Note 11)*	Interest of spouse	46,864,000 Share (L)	5.86%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. Ms. Zhao is the spouse of Mr. LZ Meng. Under the SFO, she is taken to be interested in the Shares in which Mr. LZ Meng is interested.

3. Ms. Meng Dongdong (孟冬冬) is the spouse of Mr. ZW Liu. Under the SFO, she is taken to be interested in the Shares in which Mr. ZW Liu is interested.

4. Ms. Xiao Zhiru (肖智茹) is the spouse of Mr. YX Zhang. Under the SFO, she is taken to be interested in the Shares in which Mr. YX Zhang is interested.

5. Ms. Wang Sujuan (王素娟) is the spouse of Mr. EW Liu. Under the SFO, she is taken to be interested in the Shares in which Mr. EW Liu is interested.

6. These 67,868,000 Shares are beneficially owned by Radiant Path, which is wholly owned by Mr. Wang. Under the SFO, he is taken to be interested in the Shares beneficially owned by Radiant Path.

7. Ms. Yin is the spouse of Mr. Wang. Under the SFO, she is taken to be interested in the Shares in which Mr. Wang is interested.

8. These 46,864,000 Shares are beneficially owned by Great Ally, which is wholly owned by Mr. ZB Zhang. Under the SFO, he is taken to be interested in the Shares beneficially owned by Great Ally.

9. Ms. Zhu Yunchuan (朱雲川) is the spouse of Mr. ZB Zhang. Under the SFO, she is taken to be interested in the Shares in which Mr. ZB Zhang is interested.

10. These 46,864,000 Shares are beneficially owned by Rosy Raise, which is wholly owned by Ms. ML Liu. Under the SFO, she is taken to be interested in the Shares beneficially owned by Rosy Raise.

11. Mr. Li Xunye (李訓業) is the spouse of Ms. ML Liu. Under the SFO, he is taken to be interested in the Shares in which Ms. ML Liu is interested.

15. Disclaimers

Save as disclosed in this appendix and the sections headed "History, Reorganization and Corporate Structure" and "Underwriting" in this prospectus:

(a) and without taking into account any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or the chief executive of our Company) who immediately following completion of the Global Offering and the Capitalization Issue will have an interest or a short position in the 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 will, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group;

(b) none of our Directors or the chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed;

(c) none of our Directors or any of the parties listed in paragraph 23 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group, nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

(d) none of our Directors or any of the parties listed in paragraph 23 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 23 below:

  (i) is interested legally or beneficially in any securities of any member of our Group; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION

16. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the then Shareholders on December 11, 2017:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

Our Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity ("Invested Entity") in which any member of our Group holds an equity interest;

(bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(gg) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity;

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Company to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of the Shares

(aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Company must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.

(bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Company) to be granted under the Share Option Scheme and any other share option scheme of our Company must not in aggregate exceed 10% of the number of Shares in issue on the Listing Date, being 80,000,000 Shares ("General Scheme Limit").

(cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Company must not exceed 10% of the number of Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Company) previously granted under the Share Option Scheme and any other share option scheme of our Company will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2) (d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Company (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to our Directors, chief executive or substantial shareholders of our Company or their respective associates

(aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).

(bb) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK$5,000,000;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders, within such time as may be specified in the Listing Rules. All connected persons of our Company must abstain from voting in favor at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting (with such grantee, his associates and all core connected persons of our Company abstaining from voting in favor).

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of our results for any year, half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no offer for the grant of options may be made.

Our Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with us or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which our Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

(aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

(bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustment to the subscription price

In the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial advisor to our Company as fair and reasonable will be made to the number of Shares to which the Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that (aa) any adjustments shall give a grantee the same proportion of the number of issued shares as that to which he was entitled prior to such alteration; (bb) the issue of Shares or other securities of our Company as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (cc) no alteration may be made to the extent that a Share would be issued at less than its nominal value; and (dd) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial advisor must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the

General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the option period in respect of such option;

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and

(cc) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

(aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) Compliance with the Listing Rules

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

17. Estate duty, tax and other indemnity

The Controlling Shareholders (collectively, the "Indemnifiers") have entered into the Deed of Indemnity with and in favor of our Company (for itself and as trustee for each of our present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing; and

(b) any tax liability (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to June 30, 2017; or

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after July 1, 2017 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:

  (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after July 1, 2017; or

  (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before June 30, 2017 or pursuant to any statement of intention made in this prospectus; or

(c) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong

Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

(d) to the extent that any provision or reserve has been made for taxation in the audited accounts of any member of our Group up to June 30, 2017 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve so applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, each of the Indemnifiers has also undertaken to us that he/it will indemnify and at all time keep us fully indemnified on demand from and against, on a joint and several basis, all losses, claims, actions, demands, liabilities, damages, costs, expenses, fines, penalties and charges and of whatever nature suffered or incurred by any member of our Group directly or indirectly arising out of or in connection with the non-compliance or alleged non-compliance by any member of our Group with any applicable laws and regulations in relation to the contribution from any member of our Group to the social insurance and housing provident funds in the PRC (the "Social Insurance and Housing Provident Fund Claims") on or before the Listing Date, including any Social Insurance and Housing Provident Fund Claims that may be incurred by any member of our Group due to the failure by our Group to register housing provident fund account and/or the under-contribution by our Group of social insurance and/or housing provident fund as required by the applicable PRC laws and regulations for some of our employees as set out in the section headed "Business – Legal proceedings and compliance" in this prospectus, provided that the Indemnifiers shall be under no liability under the Deed of Indemnity in respect of any such Social Insurance and Housing Provident Fund Claims:

(a) to the extent that provision or reserve has been made for Social Insurance and Housing Provident Fund Claims in the audited accounts of any member of our Group for any accounting period up to June 30, 2017; or

(b) to the extent that any provision or reserve made for such Social Insurance and Housing Provident Fund Claims in the audited accounts of any member of our Group for any accounting period up to June 30, 2017 which is finally established to be over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such Social Insurance and Housing Provident Fund Claims shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve so applied to reduce the Indemnifiers' liability in respect of such Social Insurance and Housing Provident Fund Claims shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, each of the Indemnifiers has also undertaken to us that he/it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with (i) the nominee shareholding arrangements as referred to in the section headed "History, Reorganization and corporate structure" in this prospectus; (ii) the implementation of the Reorganization; (iii) the non-compliance or alleged non-compliance by any member of our Group with any applicable laws and regulations on or before the Listing Date (including but not limited to the historical non-compliance with the applicable laws and regulations by our Group as set out in the section headed "Business – Legal proceedings and compliance" in this prospectus); (iv) any work-place accident occurred in the production facilities of our Group and/or otherwise suffered by any of our employees in their course of employment on or before the Listing Date; (v) unguaranteed and unsecured loans borrowed by our Group from related parties and third parties as referred to under the items "Loans from related parties: – Unguaranteed and unsecured" and "Loans from third parties: – Unguaranteed and unsecured" in Note 19(a) of the Accountants' Report in Appendix I in the Prospectus; and (vi) any defect, encumbrance or third-party rights over or in connection with the properties of our Group as referred to in the section headed "Business – Properties" in this prospectus, or our Group not being permitted to use or occupy or being evicted from, or not permitted to use for the current purposes of, any of these properties, or any of these properties being demolished, except for (a) the existing mortgages over these properties as disclosed in the section headed "Business – Properties" in this prospectus, and (b) any such defect, encumbrance or third-party right arises or incurred solely as a result of any act, omission or transaction carried out or effected by our Group after the Listing Date.

18. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any other member of our Group, that would have a material adverse effect on our results of operation or the financial conditions of our Company or any other member of our Group.

19. Preliminary expenses

The preliminary expenses of our Company were approximately HK$28,000 and have been paid by our Company.

20. Promoter

(a) Our Company does not have any promoter.

(b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid, allotted or given, or proposed to be paid, allotted or given, to any promoter of our Company in connection with the Global Offering or the related transactions described in this prospectus.

21. Agency fees or commissions received

For details of the agency fees or commissions to be received by the Underwriters, please refer to the section headed "Underwriting – Commissions and expenses" in this prospectus.

22. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The sponsor's fees payable by our Company in respect of the Sole Sponsor's services as sponsor for the Listing is HK$5,000,000.

23. Qualification of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Guotai Junan Capital Limited	Licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activities
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Qualified PRC lawyers
KPMG	Certified Public Accountants
Colliers International (Hong Kong) Limited	Professional property valuer
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

None of the experts listed in the table above has any shareholding in any member of our Group or the right (whether legally enforceable or not), to subscribe for or to nominate persons to subscribe for securities in our Company or any other member of our Group.

24. Consent of experts

Each of the experts listed in paragraph 23 above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their report and/or letter and/or summary of valuations and/or legal opinion and/or opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they are included.

25. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

26. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which charged on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the value of our Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty except our Company holds interests in land in the Cayman Islands.

27. Miscellaneous

(a) Save as disclosed in this appendix and in the sections headed "History, Reorganization and Corporate Structure" and "Underwriting" in this prospectus:

   (i) within two years preceding the date of this prospectus:

      (aa) no share or loan capital of our Company or of any other member of our Group has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) 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 our Company or any other member of our Group; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in or debentures of our Company or any other member of our Group;

(ii) no share or loan capital of our Company or any other member of our Group is under option, or agreed conditionally or unconditionally to be put under option;

(b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2017 (being the end of the period reported on in the Accountants' Report set out in Appendix I to this prospectus); and

(c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

28. 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 (Chapter 32L of the Laws of Hong Kong).

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 May 2, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its 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 states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on December 11, 2017. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year other than the year of the Company's adoption of the Articles within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from May 17, 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or 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.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "B. Documents 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. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the paragraph headed "Other Information – 24. Consent of experts" in Appendix IV to this prospectus; and

(c) copies of the material contracts referred to in the paragraph headed "Further details about the business of our Company – 9. Summary of material contracts" in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40/F., Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the combined audited financial statements of our Group for each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017;

(d) the report from KPMG on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the valuation report (including a letter, a summary of valuation and the valuation certificate) prepared by Colliers International (Hong Kong) Limited relating to the property interests of our Group, the texts of which are set out in Appendix III to this prospectus;

(f) the Companies Law;

(g) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Cayman Islands company law as referred to in Appendix V to this prospectus;

(h) the legal opinions prepared by our PRC Legal Advisor in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(i) the material contracts referred to in the paragraph headed "Further details about the business of our Company – 9. Summary of material contracts" in Appendix IV to this prospectus;

(j) the service contracts and employment contracts referred to in the paragraph headed "Further details about our Directors and Shareholders – 13. Directors – (b) Particulars of Directors' service contracts" in Appendix IV to this prospectus;

(k) the rules of the Share Option Scheme;

(l) the written consents referred to in the paragraph headed "Other Information – 24. Consent of experts" in Appendix IV to this prospectus; and

(m) the Frost & Sullivan Report.

Ruifeng Power Group Company Limited
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