Investors should consider carefully all of the information set out in this prospectus and, in particular, should evaluate the following risks in connection with an investment in the Group, certain of which are not typically associated with investing in equity securities of companies located predominantly in Hong Kong or other economically advanced jurisdictions.

The Directors believe that there are certain risks involved in the Group's operations. They can be broadly categorised into: (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering.

RISKS RELATING TO THE GROUP

Fluctuation in the prices of the metals tungsten, molybdenum, chromium, vanadium or, to a lesser extent, scrap steel could adversely affect the Group's profitability, financial condition and results of operations.

The primary raw materials used to make HSS and die steel are the metals tungsten, molybdenum, chromium and vanadium. The proportion of these metals contained in any individual type of HSS or die steel varies depending upon the specifications of any individual product. In each of the years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2007, the cost of these and other metals, represented 52.0%, 53.5%, 53.6% and 50.5% of the Group's total cost of sales for those respective periods. The cost of scrap steel and other auxiliary materials, represented a further 16.8%, 17.2%, 17.6% and 21.5%, respectively, of the Group's total cost of sales during those same periods.

Market prices in China for these metals have fluctuated over the Track Record Period as a result of local demand and due to the impact of the policies of the Chinese government. While over the Track Record Period, the Group was able to pass on to purchasers of its HSS these intermittent increases in raw materials costs, intense price-based competition prevented the Group from passing on entirely these increased costs to purchasers of its HSS cutting tools. For details of the price movements of these metals during the Track Record Period, please refer to the section headed "Industry Overview" in this prospectus.

Steel prices in the PRC during the Track Record Period have been volatile and have risen significantly. These price fluctuations have been attributed to factors such as the prevailing demand for steel, worldwide production capacity, utilisation rates, raw materials costs, trade barriers and improvements in steel manufacturing processes, many of which are beyond the Group's control. Since the prices of scrap steel are affected by the price of steel, which is volatile, the prices of scrap steel may experience significant price fluctuations in the future as well.

To the extent that the prices of the metals tungsten, molybdenum, chromium and vanadium, or scrap steel increase, the Group cannot assure that it will be able to pass on the increased cost to its customers in the future. If the cost of the metals tungsten, molybdenum, chromium and vanadium, or scrap steel were to increase further in the future, and the Group is unable to offset this increase by raising the prices of its products or by managing its costs, its profitability, financial condition and results of operations may be materially and adversely affected.

Slower inventory turnover and longer production cycles could adversely affect the Group's profitability.

The Group has a slower inventory turnover and a longer production cycle when compared to other companies which specialise in the manufacture of either only HSS or only

HSS cutting tools. This is primarily attributable to the fact that (i) approximately 30% of the HSS produced by the Group over the Track Record Period were consumed by the HSS cutting tools business as raw materials, and were accordingly treated as "work in progress" in the Group's financial statements; and (ii) the existence of bottlenecks in its production facilities in connection with the integration of these two business lines. Such relatively slow inventory turnover, coupled with the increased value of the Group's inventories (RMB274.3 million as at 31 December 2004, RMB491.5 million as at 31 December 2005, RMB646.2 million as at 31 December 2006 and RMB691.2 million as at 31 March 2007) may expose the Group to operating risks or negatively affect the Group's financial results especially at times when the price of non-ferrous metals, being the principal raw materials for steel, decreases significantly.

The Group currently procures tungsten, molybdenum, chromium and vanadium, the principal raw materials used in its production, from a limited number of suppliers. If there is any interruption to or decline in the amount or quality of the supply of these, its production process and business could be materially and adversely affected.

The primary raw materials used to make HSS and die steel are the metals tungsten, molybdenum, chromium and vanadium. In each of the years ended 31 December 2004, 2005 and 2006 and the three months ended 31 March 2007, the cost of these and other metals, represented 52.0%, 53.5%, 53.6% and 50.5% of the Group's total cost of sales for those respective periods. The Group's third-party suppliers may not be able or willing to supply an adequate supply of these metals to satisfy the Group's present or future manufacturing needs. For the three years ended 31 December 2004, 2005, 2006 and the three months ended 31 March 2007, the Group purchased in aggregate RMB136.9 million, RMB352.9 million, RMB471.3 million and RMB105.5 million of these metals required for its production from its top five suppliers, respectively, accounting for 27.7%, 29.6%, 56.0% and 39.8% of its total purchase during the same periods, respectively. The cost of these metals that the Group procured from its largest supplier for the three years ended 31 December, 2004, 2005 and 2006 and the three months ended 31 March 2007 amounted to RMB70.0 million, RMB200.2 million, RMB165.6 million and RMB36.7 million, representing 14.2%, 16.8%, 19.7% and 13.8% of its total purchase during the same periods, respectively. The Group cannot assure you that its relationships with these limited suppliers will not deteriorate in the future. If its relationships with these limited suppliers are terminated or otherwise interrupted the Group may not be able to obtain suitable substitutes on commercially reasonable terms and in a timely manner, or at all. Any interruptions of, or decline in, the amount or quality of the Group's supplies of these metals could materially disrupt its production process and prevent the Group from operating its production facilities at full capacity which will result in reduced production output and revenue and thereby adversely affect its business.

The Group may experience a decline in its overall gross profit margin as a result of changes in its product sales mix because gross profit margin on sales of its HSS have been significantly higher in each year of the Track Record Period than the gross profit margin on sales of its HSS cutting tools, and any new products introduced may have lower margins.

The Group's product mix will affect its overall gross profit margin because the gross profit margin from sales of its products vary by product category and by individual product and may vary from period to period. The Group generates its revenue primarily from sales of: (i) HSS and die steel, primarily domestically, and (ii) HSS cutting tools, primarily for export. The relative contributions to the Group's total revenue from each of these product categories have fluctuated in recent years, with revenue from sales of HSS and die steel increasing significantly in 2006, while revenue from sales of HSS cutting tools was almost flat. Any change in the percentage of the Group's total revenue derived from each of these two main product categories may have a direct impact on the Group's results of operations, particularly its cost of sales and gross margin. The gross profit margin for HSS and die steel at approximately 21% to 22% in each year during the Track Record Period, were higher than that for HSS cutting tools, at approximately 14% to 17% in each year during the Track Record Period. If in the future the Group were to derive an increasing proportion of its total revenues from sales of HSS cutting tools, its overall profit margin may be adversely affected as a result.

Although revenue from sales of die steel accounted for less than 5% of its total revenue for the year ended 31 December 2006, the Group intends to ramp up the production of die steel. However, as the Group does not have an established track record in the die steel business or lengthy experience in its production (as it only began commercial production thereof in November 2005), optimal economies of scale and other efficiencies have not yet been fully achieved, which may cause the Group's profit margin on its sales of die steel products to be lower than they might otherwise be and lower than those on sales of HSS and/ or HSS cutting tools, thereby adversely impacting the Group's overall gross profit margin. While the Group intends to further diversify its product portfolio into other special steel products, since the Group does not have experience therewith, the Group cannot guarantee that any such expansion would be successful. The Group may experience a decline in its overall gross profit margin and such decline will adversely impact its financial condition and results of operations.

The Group's die steel manufacturing business was loss-making in 2005 and 2006.

TG Aihe, a subsidiary of the Company, commenced production of die steel in November 2005 and made losses of RMB5.6 million and RMB19.8 million, respectively, for the years ended 31 December 2005 and 2006. This was mainly because the Group was relatively new to the die steel business and the business was a new startup. Should the Group fail to attract further business in its die steel manufacturing business, its overall profitability will be adversely affected.

Any failure by the Group to maintain relationships with its large customers would have an adverse effect on the Group's business.

The Group's customers include primarily domestic HSS cutting tools manufacturers and international cutting and power tools manufacturers. Aggregate sales attributable to the Group's five largest customers amounted to RMB156.6 million, RMB206.2 million, RMB212.4 million and RMB68.0 million, representing 18.6%, 18.8%, 16.3%, and 17.7% of its total revenue, for the years ended 31 December 2004, 2005, 2006, and for the three months ended 31 March 2007, respectively. Sales to the Group's largest customer amounted to RMB54.2 million, RMB78.4 million, RMB76.1 million and RMB19.5 million, representing 6.4%, 7.2%, 5.8%, and 5.1%, of its total revenue, for the same periods, respectively. There can be no assurance that the Group will be able to maintain or improve its relationships with these customers, or that it will be able to continue to supply products to these customers at current levels or at all. In addition, the Group's business is affected by competition in the HSS, die steel and HSS cutting tools market, and any decline in its major customers' businesses in such markets could lead to a decline in purchase orders from these customers. If any of the Group's top five largest customers were to substantially reduce the size or dollar value of the orders it places with the Group or were to terminate its business relationship with the Group entirely, there can be no assurance that the Group would be able to obtain orders from other customers to replace any such lost sales on comparable terms or at all. If any of these relationships were to be so altered and the Group were unable to obtain replacement orders, its business, results of operations and financial condition will be materially and adversely affected.

Certain of the Group's competitors may in the future compete more effectively in the niche HSS manufacturing industry in China, or for export sales.

The HSS manufacturing industry in China is dominated by a few manufacturers. According to 中國特鋼企業協會 (Special Steel Enterprise Association of China), the top three Chinese manufacturers thereof (including the Group) manufactured 77.1% by volume of all HSS in China in 2006. The Group manufactured 44.7%, the second largest manufacturer 21.7% and the third 10.7%. Because HSS is still niche special steel product in China, and because the volume of HSS manufactured in China annually grew at a CAGR of 17% from 2001 to 2006, according to the 中國特鋼企業協會 (Special Steel Enterprise Association of China), to further increase its sales of HSS, the Group may need to take business from existing customers of these other Chinese manufacturers, or compete with them (and other manufacturers outside of China, some of which may have greater financial and technical resources than the Group) to capture increased opportunities to export their HSS from China. If the Group is not able to compete effectively against these entities in the future, it may lose domestic market share and/or fail to grow its export sales, and its business may be harmed.

The Group may need additional capital to fund its working capital and capital expenditure requirements and it may not be able to obtain such additional capital on acceptable terms or at all.

The Group may need additional capital to fund its working capital requirements and its high level of capital expenditure. As at 31 December 2004, the Group had net current liabilities of RMB8.6 million. As at 31 December 2005 and 2006, the Group had net current assets RMB60.4 million and RMB230.0 million, respectively. Although the Group had net current assets of RMB274.5 million as of 31 March 2007, the Group may have net current liabilities in the future. The net current liabilities which existed previously were mostly due to its historical reliance on short-term loan facilities and the result of purchasing fixed assets (mainly manufacturing equipment) and financing working capital. The Group's ability to meet its working capital needs from cash flows arising from its operations will be affected by the demand for its products, which in turn may be affected by several other factors including economic downturns or dramatic changes in market preferences for HSS, die steel and HSS cutting tools products. In 2004, 2005 and 2006 and the three months ended 31 March 2007, the Group made capital expenditures in the amount of RMB24.9 million, RMB174.2 million, RMB135.6 million and RMB57.8 million respectively, due principally to the expansion of its production facilities. In light of the Group's future plans to improve and expand its production facilities to capture the opportunities arising from the PRC market and to expand sales to the international market, the Group expects that the amount of capital required by it will increase accordingly.

The Group's ability to derive sufficient cash flows from its operations or to secure bank borrowings to satisfy such increased capital needs is therefore crucial. If the Group fails to secure sufficient cash flows from its operations or bank borrowings to fund the capital expenditure required for the implementation of its expansion plans, the Group's future plans to expand and improve its production facilities and increase its production capacity may be adversely affected or curtailed.

Obtaining additional capital may require the Group to issue and sell additional equity or debt securities or obtain additional bank loans. The issue and sale of additional equity or debt securities could result in dilution to the Shareholders and the Group's ability to raise capital through such issues and sales is dependent, among other factors, on investors' perception of, and demand for, HSS, die steel and cutting tools products manufacturer and conditions of the capital market in which the Group seeks to raise funds.

The issue and sale of debt securities would result in increased debt service obligations and could require the Group to agree to operating and financing covenants that would restrict its operations and affect its future results of operations, financial condition and cash flows. In addition, the economic, political, regulatory and other conditions in the PRC may affect the Group's ability to obtain additional capital on acceptable terms.

The Group is exposed to payment delays and/or default by its customers.

Other than some cash sales, the Group's customers are generally required to pay the Group within 90, at most 150 days following the date of delivery of its products. The Group may adjust its usual credit term according to a customer's credit history as well as local market practice. In addition, the Group allows some of its customers in China to pay using banker acceptance bills and letters of credit for the amounts due at the end of their credit terms in lieu of payment in cash or by bank remittance. Banker acceptance bills are guaranteed by commercial banks in China and have maturities of up to 180 days. Although the Group accepts banker acceptance bills at the end of a credit term thereby discharging the customer's payment obligations, the Group does not receive the proceeds until these banker acceptance bills mature, which can take up to 180 days depending on their maturities. The Group's average trade receivable turnover days for 2004, 2005, 2006 and the three months ended 31 March 2007 were 73.6, 65.3, 70.7 and 69.6 days, respectively. There is no assurance that the Group's customers will meet their payment obligations on time or in full or that the Group's average trade receivable days will not increase. Any inability on the part of its customers to settle or settle promptly the amounts due to the Group may cause its financial performance and operating cash flows to be adversely affected.

The Group's business is subject to seasonal fluctuation.

Historically, the Group's sales have been seasonal. Sales are generally lower in the first quarter of the year and generally higher in the third quarter of the year. Sales can fluctuate during the course of the financial year for a number of reasons including timing of the launch of new products and the timing of marketing and promotional campaigns. In addition, the seasonality of the Group's results may be affected by unforeseen circumstances such as production interruptions, unpredicted changes in demand and market trends. As a result of these reasons, the Group's operating results may fluctuate. Accordingly, the Directors consider that the Group's operation including its sales, working capital and operating cashflows are exposed to risks associated with seasonal factors that may adversely affect the results of its operations.

The Group currently lacks a manufacturing execution system, or MES, and a logistics management system, and the Group's current management system may not be sufficient to handle its growing operations.

Like many PRC-based companies, the Group's management presently does not have nor has it historically had an MES and a logistics management system. The Group's management has up until now managed its business, including product planning, parts purchasing, maintaining inventories, interacting with suppliers, providing customer services, and tracking orders, without the aid of an MES and a logistics management system. Various functions of the Group's operations are supported by different unconsolidated and incompatible information systems and, as a result, the Group relies to some extent on manual data input, which is subject to human error. The Directors believe that the Group needs to adopt an MES and a logistics management system going forward in order to meet the increasing needs of its growing business. However, the Group cannot assure investors that it will be able to obtain, develop or otherwise implement an adequate MES and a logistics management system on commercially reasonable terms, if at all. Failure to maintain, acquire, implement or utilise, in a cost-effective manner, effective information systems, or any significant interruption to its information systems, could materially disrupt its business and operations and adversely affect its financial results.

The Group's research and development efforts and planned technology upgrades may be unsuccessful.

To achieve higher returns from its existing operations, the Group intends to increase the proportion of high-margin and high-quality products that it manufacturers and sells. The Group's research and development team is expected to play a crucial role in developing new production methods and processes to improve the quality of its products. However, research and development activities require considerable human resources, time and capital investment and the benefits of any such investment may not yield immediate tangible benefits. There can be no assurance that its research and development efforts will be effective. Even if such efforts are successful, the Group may be unable to apply the new technology to products in ways that are accepted by customers. If the Group's research and development efforts are ineffective, or the market does not embrace any resultant products, the Group may be unable to maintain or improve its competitive position and its results of operations may be adversely affected.

Any failure to maintain an effective quality control system at the Group's manufacturing facilities could have a material adverse effect on its business and operations.

The performance, quality and safety of the Group's products are critical to the success of its business. These characteristics depend significantly on the effectiveness of the Group's quality control systems, which in turn, depend on a number of factors, including the design of the systems, the quality training program, and its ability to ensure that its employees adhere to the quality control policies and guidelines. Any significant failure or deterioration of the Group's quality control systems could have a material adverse effect on its reputation in the market among current or potential customers, which could in turn lead to fewer orders in the future, harming the Group's results of operations and financial condition.

The Group's substantial financial leverage may hamper its ability to expand, and any increase in interest rates may materially affect its results of operations.

The Group's ability to make scheduled payments under its financing agreements and any future financing transactions will depend, amongst other things, on its future operating performance and its ability to refinance its debts, if necessary. As of 31 March 2007, the Group had outstanding loan obligations of RMB867.2 million and a gearing ratio of 46.3%. The Group will inevitably incur new debt obligations to finance its operations and, as a result, the Group will be required to allocate a significant portion of its cash flow to service debt. This could impair the Group's ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. There can be no assurance that its business will generate sufficient cash flow from operations in the future to service its debt and make necessary capital expenditures, in which case the Group may seek additional financing, dispose of certain assets or seek to refinance some or all of its debt. There can be no assurance that any of these alternatives can be implemented on satisfactory terms, if at all, or without breach of the terms and conditions of existing or future financing transactions.

As of 31 March 2007, RMB587.2 million, or 67.7%, of the total amounts outstanding under the Group's outstanding bank loans was owed under short-term bank loans payable within a year. The Group maintains substantial levels of short-term debt as a normal part of its capital structure. If, as the Group currently intends, it re-finances these loans on or before their maturity dates rather than discharge the debts in full, it will be exposed to interest rate risk resulting from fluctuations in the relevant reference rates during the terms of these loans. Any increase in interest expense may have a material adverse effect on the Group's business, financial condition and results of operations. The Group cannot assure investors that it will be able to refinance the existing loans at favorable rates, if at all. The Group does not currently have any arrangements to hedge its interest rate risk but if the Group decides to enter into such hedging arrangements, the Group cannot assure investors that it will be able to do so on commercially reasonable terms or that these arrangements, if entered into, will protect it fully against interest rate risk.

The Group cannot assure investors that it will be able to re-finance any of its debts on any terms. If the Group were unable to re-finance a significant part of its debt, it would have a material adverse effect on its financial condition and prospects.

Certain of the Group's customers for its HSS are also potential competitors of its HSS cutting tools business.

The Group primarily sells its HSS to manufacturers of HSS cutting tools (and distributors thereto) in China. These other PRC-based manufacturers of HSS cutting tools are potential competitors of the Group's HSS cutting tools business. This potential, or actual, conflict of interest may cause some or all of these customers to behave in a manner against the Group's interest, including, among other things, reducing orders or negotiating very firmly on price, especially if, in the future, the manufacture of HSS in the PRC were no longer dominated, as it is now, by just the Group and two other such manufacturers. If some or all of the Group's HSS customers were to behave in ways more consistent with their status as potential competitors and less like customers, the Group's HSS business and its financial results may be harmed.

The Group's insurance coverage may not be sufficient to cover the risks related to its business operations.

The Group maintains property, equipment and employee injury insurance but such insurance policies may not cover all risks associated with the hazards of its business. For instance, in accordance with customary practice in China, the Group does not carry any business interruption insurance or third-party liability insurance. The Group may incur losses beyond the limits, or outside the coverage, of the Group's insurance policies, including liabilities for environmental remediation. Furthermore, the Group may not be able to obtain coverage at current levels, and the premiums on the Group's insurance coverage may increase significantly, in the future.

The Group's normal operations are largely dependent on the Chairman of the Company and other senior management.

The Group's future success will depend to a significant extent on the continued efforts of its senior management team. The Group cannot assure investors that its key employees will not voluntarily terminate their employment with the Group. The loss of the Group's key employees, in particular Mr. Zhu, the Chairman of the Company; Mr. Zhu Zhihe, the Chief Executive Officer of the Company; Mr. Zhu Mingyao, the production director of TG Aihe and Mr. Shi Guorui, the chief financial officer of the Company, who together are responsible for the Group's overall strategic planning and management, could impair its ability to operate and make it difficult to execute its internal growth strategies. The Group may not be able to replace such persons within a reasonable period of time or with another person of equivalent expertise and experience, with the result that its business may be severely disrupted and its financial condition impaired.

The Group's continued success will also depend on its ability to attract and retain qualified administrative, manufacturing and sales personnel to manage its existing operations and future growth. Qualified individuals are in high demand and the Group may not be able to successfully attract or retain the personnel it needs, which could have a negative impact on its ability to maintain its competitive position and to expand its business.

The Group may not be able to adequately protect its intellectual property, which could adversely affect business operations.

The Group relies on a combination of patents, trademarks and contractual rights to protect its intellectual property. The Group cannot guarantee that these measures will be sufficient to prevent any misappropriation of its intellectual property, or that its competitors will not independently develop alternative technologies that are equivalent or superior to technologies based on the Group's intellectual property. The legal regime governing intellectual property in China is still evolving and the level of protection of intellectual property rights in China differs from those in other jurisdictions. For example, the Group's "TG" brand has been pirated in the past. In the event that the steps that the Group has taken and the protection afforded by law do not adequately safeguard its proprietary technology, the Group could suffer losses due to the sales of competing products that exploit its intellectual property.

The Group's PRC export tax rebates are declining.

As an enterprise engaged in the export of HSS, the Group was granted a tax benefit whereby the Group enjoyed a tax rebate of 15% prior to January 2004 for HSS exported by the Group. As from January 2004, this tax rebate rate was decreased to 13%; from May 2005, this tax rebate rate was further decreased to 11%; and, according to the "Circular on Adjusting the Tax Refund Rate of Some Export Commodities and Supplementing the Catalogue for Commodities Prohibited from Processing Trade" [Cai Sui (2006) No. 139] jointly promulgated by Ministry of Finance, National Development and Reform Commission, Ministry of Commerce, General Administration of Customs and State Administration of Taxation on 14 September 2006 (中國財政部、中國發展改革委員會、中國商務部、海關總署、國家稅務總局 2006年9月14日 聯合發布的《關於調整部分商品出口退稅率和增補加工貿易禁止類商品 目錄的通知》[財稅(2006)139 號]), the rate of such tax rebate was further decreased to 8% as from December 2006. According to the "Circular on Adjusting the Tax Refund Rate of Export Steel" issued by the Ministry of Finance and State Administration of Taxation on 10 April 2007 [Cai Sui (2007) No. 64] (中國財政部及國家稅務總局2007年4月10日發布的《關於調整鋼材出口退稅率的通知》[財稅(2007)64號]), the Group's tax rebate rate has been further decreased to 5% as from 15 April 2007. This reduction in the tax rebate from 8% to 5% for HSS will negatively impact the Group's financial results subsequent to the Track Record Period.

In respect of the Group's HSS cutting tools business, the Group was also granted a tax benefit whereby the Group enjoyed a tax rebate of 15% prior to January 2004 for HSS cutting tools exported by the Group. As from January 2004, this tax rebate rate was decreased to 13%. According to the "Circular on Adjusting the Tax Refund Rate of Certain Goods" issued by the Ministry of Finance and State Administration of Taxation on 19 June 2007 [Cai Sui (2007) No.90] (中國財政部及國家稅務總局2007年6月19日發布的《關於調整部分商品出口退稅率的通知》[財稅(2007)90號]), the Group's tax rebate rate has been further decreased to 5% as from 1 July 2007. The reduction in the tax rebate from 13% to 5% for HSS cutting tools will negatively impact the Group's financial results. Any decision in the future by the relevant Chinese authorities to further reduce or revoke entirely any tax benefits applicable to the Group may further adversely affect the Group's financial position.

The tax rebates received by the Group in respect of its HSS and HSS cutting tools business for the years ended 31 December 2004, 31 December 2005, 31 December 2006 and for the three months ended 31 March 2007 are RMB43.6 million, RMB60.3 million, RMB71.7 million and RMB21.4 million respectively.

The Group's financial results may be adversely affected by the new PRC Income Tax Law.

The new "Enterprise Income Tax Law of the People's Republic of China" (中華人民共和國企業所得稅法) (hereinafter referred to as "Income Tax Law") was promulgated by the National People's Congress on 16 March 2007 and will become effective on 1 January 2008. Upon the Income Tax Law taking effect, both domestic enterprises and enterprises with foreign investment will be subject to a unified tax rate of 25%.

Under the Income Tax Law, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC territory are considered resident enterprises and will normally be subject to the enterprise income tax at the rate of 25% but the Income Tax Law does not define the term "de facto management bodies". Since essentially all of the Group's management is currently located in the PRC and if the management remains located in the PRC after the effective date of the Income Tax Law, the Group may be subject to the uniform tax rate of 25%. The Group cannot assure investors that overseas members of the Group will not be considered as "resident enterprises" under the Income Tax Law. If overseas members of the Group are determined to be "resident enterprises", the Group's results of operations and financial condition may be adversely affected.

In addition, the Income Tax Law provides that an income tax rate of 20% will be applicable to dividends payable to foreign investors and does not specifically exempt withholding tax on such dividends. Although the Income Tax Law provides for the possibility of withholding tax exemption or reduction for China-sourced income, no details have been published. The Group cannot assure investors that the withholding tax on the Group's dividends from TG Tools or other subsidiaries will be exempted or reduced and if the withholding tax on the dividends from these entities are not exempted or reduced, the Group's results of operations and financial condition would be adversely affected.

The Income Tax Law also makes provision for a new tax preferential policy, which includes "tax exemption for two years and 50% tax reduction for the following three years". Nevertheless, enterprises which have not made any profit and therefore not yet received any tax preferential treatment before the effective date of the Income Tax Law can only enjoy this preferential tax treatment up to the end of the year of 2012 irrespective of when such enterprise is making profit.

TG Aihe is the only company that has not commenced to enjoy the tax benefits within the Group as it has been making losses since its inception. Should TG Aihe continue to suffer loss for the year ending 2007, the tax beneficial treatment will end in the year of 2012 irrespective of the actual year in which TG Aihe commences to make profit. The rest of the Group remains entitled to this transitional tax preferential treatment within the five-year period commencing from the effective date of the Income Tax Law, while awaiting the specific measures of the transitional tax preferential treatment to be provided by the State Council. Before relevant regulations or policies regarding the tax preferential treatment are promulgated by the State Council, members of the Group will still be entitled to enjoy the tax exemption for two years and 50% tax reduction for the following three years preferential tax treatment until the end of the year 2012. The term of the transitional tax preferential treatment and the applicable tax rate after the expiration of the aforementioned term will be subject to future implementation rules as stipulated by the State Council. However, as the PRC tax authorities granted these preferential tax rates and treatment according to their discretion, such preferential treatment and rates could be modified or cancelled. Any further change in the preferential tax treatment or cessation of any tax holidays or concessions currently enjoyed by the Group's PRC operations may have a negative impact on the Group's results of operations.

The Group anticipates that as a result of this change, its Group-wide tax burden may increase for the year starting 1 January 2008, and that, as a result, its after tax profit may be negatively affected.

There is no assurance that the Group will continue to receive government grants in the future.

The Group has received government grants of approximately RMB29.8 million and RMB8.0 million for the year ended 31 December 2006 and the three months ended 31 March 2007 from the local government of Danyang. Such government grants are provided for in the budget of the local government of Danyang, which it sets pursuant to 中華人民共和國預算法 (Budget Law of the People's Republic of China) and 中華人民共和國預算法實施條例 (國務院令第186號) (Regulation for the Implementation of the Budget Law of the People's Republic of China (State Council Order Number 186)). Such government grants are given by the local government of Danyang mainly as a gesture to encourage well-performing local enterprises or enterprises with a high potential based on a set of criteria including considerations relating to the scale of the enterprise, sales revenue, foreign exchange and import/export qualification status, brand name development and contribution to the development of the local economy. The Directors believe that such government grants, the amounts of which are variable, are generally available to other companies in Danyang which reach a particular enterprise scale, upon application to the local government of Danyang. There is, however, no assurance that the Group will continue to receive such government grants and if the Group is not able to remain qualified for, or the local government in Danyang changes its policy regarding such government grant, the Group's financial results may be adversely affected.

RISKS RELATING TO THE INDUSTRY

Like other HSS cutting tools manufacturers, changes in the industries which use HSS cutting tools may reduce demand for HSS cutting tools in the future.

The cutting tools and electric drills industries have experienced changes in materials and technology that result in frequent emergence of new products. Such changes in the future may render the Group's existing HSS cutting tools products obsolete or affect the Group's viability and competitiveness. The Group's future success will largely depend on its ability to improve its existing HSS cutting tools, diversify its product portfolio and develop new and competitively priced cutting tools products (made from HSS or other materials) which meet the requirements of these constantly changing markets. If the Group fails to respond to these frequent changes by improving its existing HSS cutting tools products or by developing new cutting tools products (made from HSS or other materials) in a timely fashion, or if any such new products are not accepted by the market, the Group's financial results may be harmed.

Like other HSS manufacturers, changes in the industries which use HSS may reduce demand for HSS and HSS products in the future.

HSS is a type of "special steel". Special steel differs from regular steel in that it contains less than 0.04% sulphur, is made using different combinations of metals, and is more wear resistant. While regular steel is used widely in the construction of buildings and in infrastructure projects, special steel products are produced for more specific, commonly industrial applications, such as in automobile or machinery manufacturing. While the demand for, and volume of manufacture of, HSS in China has grown in recent years, at a CAGR of 17% from 2001 to 2006, HSS remains a niche special steel product in China and there can be no assurances that demand for HSS will be maintained or will continue to grow in China or elsewhere in the future. Among other things, the industries that currently use HSS may shift to use other types of special steel not currently produced by the Group. Any such change in the future may render the Group's existing HSS business obsolete or affect the Group's viability and competitiveness.

The Group's future success will largely depend on its ability to improve its existing HSS, diversify its product portfolio of HSS and develop new and competitively priced HSS, or to begin to manufacture other types of special steel which meet the requirements of these constantly changing markets. If the Group fails to respond to these frequent changes by improving its existing HSS or by developing new products made from HSS or another type of special steel in a timely fashion, or if any such new special steel products are not accepted by the market, the Group's financial results may be harmed.

Intensified competition among domestic and foreign special steel and cutting tools manufacturers may reduce the Group's profitability.

China's special steel market is rapidly growing. Existing domestic manufacturers have been expanding their production capacities in order to gain a larger market share. After China's accession to the WTO, tariffs on imports of steel products have lowered and therefore the Group expects more competition from overseas suppliers. As competition from domestic and foreign special steel makers and cutting tools manufacturers becomes more intense, the Group's financial position may be adversely affected.

If demand for HSS and die steel do not grow in the PRC as the Group expects, the Group's business prospects in HSS and die steel manufacturing may be directly affected.

During the Track Record Period, the Group's HSS and die steel products were mainly sold to HSS cutting tools manufacturers in the PRC. The Group's future plan to increase its production capacity is partly based on its anticipation of the growth in demand for HSS and die steel in the PRC. Accordingly, if the growth in demand for HSS and die steel slows down or is not as fast as the Directors expect, demand for such products may be lower than anticipated and the utilisation rate of production facilities may decrease.

Interference by the PRC government in the development of China's steel industry may result in restrictions on or disruptions to the Group's business.

The State Council has expressed concern over possible overheating in the steel industry and it has taken a more cautious attitude towards the steel industry by introducing various measures. According to Article 23 of《鋼鐵產業發展政策》(國家發展和改革委員會令第35號) (the "Policy on the Development of the Iron and Steel Industry" (National Development and Reform Commission Order No. 35) dated 8 July 2005 and related regulations, "at least 40% of the capital requirement for the construction of iron smelting, steel smelting and steel rolling projects must be self-generated". Such policy only came into effect on 8 July 2005 and applied to new iron and steel construction projects since then. As the Group have not had any iron or steel projects in progress or any plan to invest in such projects since July 2005, the Group has not been constrained by such policy in its business development. However, should the Group decide to invest in any construction of iron smelting, steel smelting or steel rolling projects in the future, the Group will need to comply with the capital requirement of this policy.

In addition, according to the decision issued by the State Council on 19 July 2004 (《國務院關於投資體制改革的決定》) ("State Council's Decision to Reform Investment System"), steel manufacturers who wish to expand their product capacity must now obtain an approval from the State Council Investment Authority before they may commence a new construction project. In addition, since the announcement of the austerity measures under <<關於進一步加强產業政策和信貸政策協調配合控制信貸風險有關問題的通知>>（發改產業[2004]746號）(Notice on Issues Related to Further Enhancing the Coordination and Accommodation between Industrial Policies and Credit Policies so as to Control Credit Risk" (Fa Gai Chan Ye No. [2004] 746)) in April 2004, banks have tightened their policy in granting loans to, among others, steel manufacturers.

There can be no assurance that the PRC government will not further introduce or implement stringent policies for the steel industry or that the banks will not further tighten their policies preventing the Group from achieving its goals in the future. If the PRC government introduces any such policies or the banks further tighten their policies, any such action may prevent the Group from achieving its goals in the future and accordingly, the Group's operations and its financial position may be adversely affected.

The Group is subject to extensive environmental regulations, the compliance with which may be difficult and costly.

The Group's production activities are subject to extensive environmental protection laws and regulations in the PRC. Waste products generated from the course of the manufacturing process, such as industrial liquids and dust, are hazardous to the environment and must be properly disposed of in compliance with applicable standards under relevant environmental protection laws and regulations. Various PRC laws prescribe a broad range of legal consequences for companies operating without proper pollution disposal facilities. Non-compliant companies may be subject to a warning or fines or they may receive an order to suspend or cease operations. The Group's PRC legal adviser has advised the Group that it has complied with all of the applicable laws, regulations and restrictions and that the Group is not exposed to any penalty. If the Group fails to observe any of these or future applicable laws, regulations or restrictions, the Group could be punished or fined and as a result, its business, prospects and public image may be adversely affected. Furthermore, the Group cannot assure investors that the PRC or local authorities will not adopt more rigorous laws or regulations that will be applicable to the Group. In the event that these were to happen, the Group may be forced to incur higher compliance costs, which could affect its results of operations. Additionally, the Group may fail to comply with new laws or regulations in a timely manner, which could lead to penalties or other legal consequences.

RISKS RELATING TO THE PRC

Substantially all of the Group's assets are located in the PRC, and a substantial portion of the Group's revenue is derived from sales to HSS cutting tools manufacturers and distributors in the PRC, as well as to other PRC-based customers. Accordingly, the Group's results of operations, financial position and prospects are subject to a significant degree to the economic, political and legal developments of the PRC.

Changes in the economic and political environment in the PRC and policies adopted by the government to regulate its economy may adversely affect the business, operating results and financial condition of the Group.

The economy of the PRC differs from the economies of most countries belonging to the Organisation for Economic Cooperation and Development in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. Prior to 1978, the economy of the PRC was a planned economy. Since 1978, increasing emphasis has been placed on the utilisation of market forces in the development of the PRC economy. Annual and five-year State Plans are adopted by the PRC government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the PRC's industrial output, in general the PRC government is reducing the level of direct control which it exercises over the economy through State Plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a "market economy" and enterprise reform. Limited price reforms have been undertaken, with the result that prices for certain commodities are principally determined by market forces. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. There can be no assurance that the PRC government will continue to pursue a policy of economic reform. The Group may not in all cases be able to capitalise on the economic reform measures adopted by the PRC government.

The Group's operations and financial results could be adversely affected by changes in PRC political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof), measures which might be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and the imposition of additional import restrictions. Furthermore, a significant portion of the economic activity in the PRC is export-driven and, therefore, is affected by development in the economies of the PRC's principal trading partners and other export driven economies.

Government control of currency conversion and future movements in exchange rates may adversely affect the Group's business operations and its ability to remit dividends.

Over the Track Record Period the Group's costs of sales and operating expenses have been denominated primarily in Renminbi, while a substantial majority of its revenues has been derived from sales transacted in US dollars. As a result, over the Track Record Period the Group has realised gains and losses related to foreign currency fluctuations.

For the year ended 31 December 2004, the Group recorded a gain of RMB0.9 million. For each of the years ended 31 December 2005 and 2006 and the three months ended 31 March 2007, the Group recorded a loss of RMB4.1 million, RMB9.1 million and RMB2.8 million, respectively.

As of 31 March 2007, the Group's foreign-currency denominated deposits and trade and bill receivables amounted to RMB17.4 million and RMB106.6 million, respectively, while its foreign currency denominated trade and bill payables and bank borrowings amounted to nil and RMB77.4 million, respectively. Therefore, any significant fluctuation in the exchange rate of the Renminbi against other currencies will subject the Group to exchange rate risk which may be beneficial to, or adversely affect, the Group's financial condition and results of operations.

The value of the Renminbi is subject influence by changes in China's governmental policies and international economic and political developments. As of 21 July 2005, the Renminbi was no longer pegged solely to the U.S. dollar. Instead, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to rise or fall by as much as 0.3% each day, based on market supply and demand and by reference to a basket of currencies. For example, on 21 July 2005, the Renminbi was revalued against the U.S. dollar to approximately RMB8.11 to the US$1.00, representing an upward revaluation of 2.1% of the Renminbi against the U.S. dollar, as compared to the exchange rate on the previous day. The Renminbi may appreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term, depending on the fluctuation of the basket of currencies against which it is currently valued or it may be permitted to enter into a full float, which may also result in an appreciation of the Renminbi against the U.S. dollar or other foreign currencies. Further appreciation in the Renminbi against these currencies may lead to a decline in the Group's export sales (as its products may become more expensive in US dollar or other foreign currency terms), which could materially adversely affect the Group's financial condition and results of operations. Furthermore, since the Renminbi is the Group's reporting currency, appreciation in the Renminbi may adversely affect the earnings of the Group, translated or converted into Renminbi. As at the Latest Practicable Date, the Group does not have a formal hedging policy and has not entered into any arrangements to hedge against its currency risk.

The Group was named as 出口創匯十佳企業 (The top ten export enterprises in the PRC) in 2002, 2003, 2004, 2005 and 2006 and a substantial portion of its sales are denominated in foreign currencies. However, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. The RMB cannot be freely converted into any other foreign currency. Pursuant to China's current foreign exchange control system, it cannot be guaranteed that under a certain exchange rate, there shall be sufficient foreign exchange to meet the foreign exchange requirement of an enterprise. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by the Group, including the payment of dividends and interest payments, do not require advance approval from State Administration of Foreign Exchange but the Group is required to conduct such transactions at designated foreign exchange banks within China that have the right to conduct a foreign exchange business. Foreign exchange transactions under the capital account, however, must be approved in advance by State Administration of Foreign Exchange. Any insufficiency of foreign exchange may restrict the Group's ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirement. If the Group fails to obtain the approval from State Administration of Foreign Exchange to convert RMB into any foreign exchange for any of the above purposes, the Group may not be able to meet its foreign currency payment obligations.

The PRC legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to the Group.

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court of the PRC. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. Such uncertainties could limit the legal protections available to the Group.

PRC regulations of investment and loans by offshore holding companies to PRC entities may delay or prevent the Company from using the proceeds of this offering to make additional capital contributions or loans to members of the Group.

Any capital contributions or loans the Company, as an offshore entity, makes to PRC members of the Group, including from the proceeds of this offering, are subject to PRC regulations. For example, the Group's capital contributions to PRC members of the Group must be approved by the competent authority of the MOC. In addition, the total of any offshore loans to PRC members of the Group cannot exceed the difference between certain regulatory limits prescribed by the competent authority of the MOC less the relevant member of the Group's registered capital and total investment, and such loans must be filed with the SAFE or its authorized organization. The Group cannot assure investors that it will be able to obtain these approvals on a timely basis, or at all. If the Group fails to obtain such approvals in a timely manner or at all, its ability to capitalise the relevant PRC members of the Group or fund its operations or to utilise the proceeds of this offering in the manner described in "Use of Proceeds" may be negatively affected, which could adversely affect the liquidity of the relevant PRC member of the Group and the Group's ability to grow through the members of the Group's operations.

The Group's operating cost may increase due to the provision of social insurance as required by the PRC government.

Pursuant to the applicable social insurance requirements of the national and local government, the Group is required to provide social insurance (namely, medical, unemployment, pension, employment-related injury and maternity insurance) for its employees in the PRC. If the relevant national and local government changes their respective policies in the future and expand the scope of the employee insurance plans or the rate of the Group's contribution towards such insurance increases, the Group's operating cost may increase, thereby affecting its profitability.

Electricity shortages could adversely affect the Group's business.

The Group consumes substantial amounts of electricity in its manufacturing process. Substantially all of the Group's assets and manufacturing operations, and some of the Group's suppliers, are located in Danyang, Jiangsu Province. The Group's operations are vulnerable to power shortages that generally affect enterprises located in China. Certain manufacturers in China have in recent years experienced electricity shortages. The Group cannot assure investors that power shortages will not affect the Group in the future. In addition, the Group does not have any insurance cover for business interruptions, including loss of profits from such interruptions. Any losses that may occur as a result of these kinds of events could adversely affect the Group's manufacturing operations and consequently its operating results.

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

Substantially all of the Group's Directors and executive officers reside within the PRC. Substantially all of the Group's assets and substantially all of the assets of its Directors and executive officers are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it may not be possible for investors to effect service of process upon the Group or these persons in the PRC or to enforce against the Group or the Directors or executive officers in the PRC, any judgments obtained from non-PRC courts. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

The PRC is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") which had historically permitted reciprocal enforcement in the PRC of awards of arbitral bodies located in other New York Convention signatory countries. On 18 June 1989, an arrangement was made between Hong Kong and the PRC for mutual enforcement of arbitration awards. This new arrangement was approved by the Supreme Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000.

The payment of dividends by TG Tools to the Company is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits with regards to TG Tools means its after-tax profits as determined under PRC GAAP, less any recovery of accumulated losses and allocations to statutory funds that it is required to make. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. The calculation of distributable profits under PRC GAAP differs in many respects from the calculation under IFRS. As a result, TG Tools may not be able to pay any dividend in a given year to the Company if it does not have distributable profits as determined under PRC GAAP, even if it has profits for that year as determined under IFRS. Accordingly, since the Company derives a majority of its profits from TG Tools, it may not have sufficient distributable profits to pay dividends to its shareholders.

Fire, severe weather, flood or earthquake could cause significant damage to the Group's production plants in the PRC and disrupt its business operations.

All of the Group's products are manufactured at its production plants located in the PRC. Fire fighting and disaster relief or assistance in the PRC is not well developed. Material damage to, or the loss of, the Group's production facility due to fire, severe weather, flood, earthquake or other acts of God or cause may not be adequately covered by proceeds of the Group's insurance coverage and could materially and adversely affect its business and operating results. In addition, any interruptions to the Group's business caused by such disasters could harm its business and operating results.

The spread of SARS, an outbreak of the H5N1 strain of bird flu (avian influenza) or any other similar illnesses or epidemic may have a negative impact on the Group's business and operating results.

In March 2003, several countries in Asia, including the PRC, were affected by the outbreak of SARS. Since the beginning of 2004, there have been a small number of additional confirmed SARS cases in the southern PRC, Taiwan and Singapore. If there is a recurrence of a serious outbreak of SARS or a similar illness, it may adversely affect the Group's business and operating results.

In addition, there has been confirmed human cases of avian influenza in the PRC, Vietnam, Iraq, Thailand, Indonesia, Turkey and Cambodia which has proven fatal in some instances. If such an outbreak of any other similar epidemic were to spread in the PRC, where the Group's operations are located, it may adversely affect the Group's business and operating results.

RISKS RELATING TO THE GLOBAL OFFERING

Future sales of securities by the Company or its shareholders may decrease the value of an investment.

Future sales by the Company or its existing shareholders of substantial amounts of Shares after the Global Offering could adversely affect market prices prevailing from time to time and the Company's ability to raise equity capital in the future at a time and price that the Company deems appropriate. Only a limited number of the Shares currently outstanding will be available for sale immediately after the Global Offering due to the lock-up undertakings given by the controlling shareholders and other contractual and legal restrictions on resale. Nevertheless, after these undertakings and restrictions lapse or if they are waived or breached, future sales of substantial amounts of Shares, including Shares issued upon exercise of outstanding options and warrants, or the possibility of such sales, could negatively impact the market price of the Shares and the Group's ability to raise equity capital in the future.

There has been no prior market for the Shares and the Global Offering may not result in an active or liquid market for these securities, which may adversely affect the market price of the Shares.

Prior to this Global Offering, there has not been a public market for the Shares. After the Global Offering, an active public market may not develop or be sustained. If an active market for the Shares does not develop after the Global Offering, the market price and liquidity of the Shares may be adversely affected.

The Offer Price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile.

The Offer Price will be determined by negotiations between the Company, the Selling Shareholders and representatives of the Underwriters and may not be indicative of prices that will prevail in the trading market. Investors may not be able to resell their Shares at or above the initial public offering price. The financial markets in Hong Kong have experienced significant price and volume fluctuations, and market prices of technology companies have been and continue to be extremely volatile. Volatility in the price of the Shares may be caused by factors outside the Group's control and may be unrelated or disproportionate to the Group's operating results.

The trading price of the Shares may be volatile.

Following the Global Offering, the trading price of the Shares may fluctuate substantially in response to, among other factors:

- fluctuations in the Group's interim or annual results of operations;
- changes in financial estimates by securities analysts;
- investor perceptions of the Group and the investment environment in Asia, including Hong Kong and the PRC;
- changes in policies and developments related to the special steel and cutting tools industry;
- changes in tariffs and other import and export barriers on steel;
- changes in pricing policies adopted by the Group or its competitors;
- the depth and liquidity of the market for the Shares;
- the demand for and supply of the Shares;
- the recruitment or departures of key personnel; and
- general economic and other factors.

Moreover, in recent years, stock markets in general have experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies. These broad market and industry fluctuations may adversely affect the market price of the Shares.

The interest of the Shareholders may be diluted as a result of additional equity fund raising.

The Group may need to raise additional funds in the future to finance expansion of its operations or new acquisitions. If additional funds are raised through the issuance of new Shares or other securities that may be converted into the Shares or other equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the existing Shareholders may be reduced and Shareholders may experience subsequent dilution. 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.

The Company will continue to be controlled by Mr. Zhu, whose interests may differ from those of other Shareholders.

As at the Latest Practicable Date, Mr. Zhu and Madam Yu, through their shareholding in THCL, owned 70% of the issued share capital of the Company. Immediately following the Global Offering, Mr. Zhu and Madam Yu will, through their shareholding in THCL, together own 52.5% of the Company's issued share capital assuming the Over-allotment Option is not exercised. As the Company's largest shareholder, and subject to its Articles of Association and applicable laws and regulations, Mr. Zhu will be able to influence major policy decisions, including the Company's overall strategic and investment decisions, by:

- controlling the election of Directors and, in turn, indirectly controlling the selection of senior management;
- determining the timing and amount of dividend payments;
- approving annual budgets;
- deciding on increases or decreases in share capital;
- determining the size and timing of any issuances of new securities;
- approving mergers, acquisitions and disposals of the Group's assets or businesses.

The interests of Mr. Zhu as the Company's majority shareholder could conflict with the interests of its other shareholders. Accordingly, Mr. Zhu may take actions (including, for example, an excessively high rate of dividend distributions) that favour his own interests and which may not be in the best interests of other shareholders.

Investors may face difficulties in protecting their interests because the Company is incorporated under Cayman Islands law, which law may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.

The Company's corporate affairs are governed by the Company's Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in certain respects from those in Hong Kong and other jurisdictions. Such differences may mean that the Company's minority shareholders, including investors in the Shares, may have less protection than they would otherwise have under the laws of Hong Kong or other jurisdictions. For example, the Cayman Islands does not have a statutory equivalent of section 168A of the Companies Ordinance which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs. See "Summary of the constitution of the Company and the Cayman Islands law" in Appendix V to this prospectus.

The industry statistics from government or official sources contained in this prospectus are derived from various official sources and may not be reliable.

Certain statistics from government or official sources in the sections headed "Summary" and "Industry overview" in this prospectus relating to the special steel and cutting tools industries, such as statistics relating to global and PRC sales, are derived from various official sources. Whilst the Directors have taken all reasonable care to ensure that the facts and statistics are accurately reproduced from such sources, such information has not been independently verified by the Company and may be inconsistent, inaccurate, incomplete or out-of-date. None of the Company, the Sponsor, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering make any representation as to the accuracy or completeness of such information and, accordingly, such information should not be unduly relied upon.

There are risks associated with forward-looking statements.

This prospectus contains certain statements that are forward-looking, often indicated by the use of words such as “anticipate”, “believe”, “could”, “expect”, “estimate”, “may”, “ought to”, “should”, “will” or similar terms. These forward-looking statements address, among other topics, the Group’s growth strategy and its expectations concerning its future operations, liquidity and capital resources. Prospective investors are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, any or all of the assumptions or judgments on which such statements are based could prove to be incorrect and as a result, the forward-looking statements could also be incorrect. In light of these and other uncertainties, the forward-looking statements in this prospectus should not be regarded as representations by the Group that its plans, expectations or objectives will be achieved, and investors should not place undue reliance on such statements.