藍月亮集團控股有限公司
Blue Moon Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6993

藍月亮

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners
(in alphabetical order)

BofA SECURITIES　CICC 中金公司　citi

Joint Global Coordinators and Joint Bookrunners
(in alphabetical order)

BNP PARIBAS　HSBC　UBS

Joint Bookrunners
(in alphabetical order)

農銀國際 ABC INTERNATIONAL　BOC INTERNATIONAL　建银国际 CCB International　民银资本 CMBC CAPITAL HOLDINGS LIMITED　招银国际 CMB INTERNATIONAL　富途證券　ICBC 工银国际　UOBKayHian

IMPORTANT

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

Blue Moon Group Holdings Limited
藍月亮集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**747,126,500 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**74,713,000 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**672,413,500 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$13.16 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**HK$0.01 per Share**
Stock Code	**:**	**6993**

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners
(in alphabetical order)

Joint Global Coordinators and Joint Bookrunners
(in alphabetical order)

Joint Bookrunners
(in alphabetical order)

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Wednesday, 9 December 2020 and, in any event, not later than Tuesday, 15 December 2020. The Offer Price will not be more than HK$13.16 per Offer Share and is expected to be not less than HK$10.20 per Offer Share, unless otherwise announced.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (a) within the United States solely to QIBs as defined in Rule 144A pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (b) outside the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting". It is important that you refer to that section for further details.

4 December 2020

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Friday, 4 December 2020
Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Wednesday, 9 December 2020
Application lists open[3]	11:45 a.m. on Wednesday, 9 December 2020
Latest time for (a) lodging **WHITE** and **YELLOW** Application Forms, (b) completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (c) giving **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, 9 December 2020
Application lists close[3]	12:00 noon on Wednesday, 9 December 2020
Expected Price Determination Date[5]	Wednesday, 9 December 2020
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.bluemoon.com.cn**[6] on or before	Tuesday, 15 December 2020
(2) 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 as described in the section headed "How to Apply for Hong Kong Offer Shares – D. Publication of Results" in this prospectus	Tuesday, 15 December 2020
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from	Tuesday, 15 December 2020
Despatch of Share certificates or deposit of Share certificates into CCASS and White Form e-Refund payment instructions/refund cheques on or before[7]	Tuesday, 15 December 2020
Dealings in our Shares on the Stock Exchange expected to commence at	9:00 a.m. on Wednesday, 16 December 2020

Notes:

(1) All dates and times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for lodging 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 of lodging applications, when the application lists close.

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 9 December 2020, the application lists will not open and close on that day. Please refer to the section headed "How to Apply for Hong Kong Offer Shares – C. Effect of Bad Weather on the Opening and Closing of the Application Lists" for details.

(4) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares – A. Applications for Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" for details.

(5) The Price Determination Date is expected to be on or about Wednesday, 9 December 2020 and, in any event, not later than Tuesday, 15 December 2020. If, for any reason, the Offer Price is not agreed by Tuesday, 15 December 2020 between our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering 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) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be on or around Wednesday, 16 December 2020, provided that the Global Offering has become unconditional in all respects at or before that time. 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.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Neither our Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, or any of the Relevant Persons. Information contained on our website, at www.bluemoon.com.cn, does not form part of this prospectus.

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This summary is intended 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 the Offer Shares. There are risks associated with any investment. For some of the particular risks of investing in the Offer Shares, please refer to the section headed "Risk Factors" for details. You should read that section carefully before you decide to invest in the Offer Shares.

OUR MISSION

Our mission is to provide consumers with cleaning solutions comprising of quality products, good services and professional insights.

OUR VISION

Our vision is to allow every family to enjoy a clean, healthy, comfortable, respectable and delightful "Blue Moon (藍月亮)" lifestyle.

OUR VALUES

For consumers we excel (為用戶， 更卓越).

OVERVIEW

We are a leading consumer-centric household care company in China. We develop, manufacture and market a wide selection of products under three categories: fabric care, personal hygiene and home care. Our liquid laundry detergent, liquid soap and concentrated liquid laundry detergent products had the largest market shares in their respective markets in each of 2017, 2018 and 2019, according to the Frost & Sullivan Report. In 2019, according to the same report, "Blue Moon (藍月亮)" ranked fourth in both the fabric care market and the personal hygiene market and ranked fifth in the home care market, all in terms of retail sales value in China. Our reputation is decades in the making and is rooted in our commitment to customer satisfaction, our ability to understand and set consumer trends, and our focus on successful execution.

Since our inception, we have focused on the markets with high growth potential and have built a strong brand. We have developed popular products such as Blue Moon Liquid Soap, Blue Moon Deep Clean Care Liquid Laundry Detergent and Blue Moon Machine Wash Supreme Concentrated Plus Laundry Detergent, and we continue to upgrade our products. We have developed a knowledge-based marketing strategy by not only promoting our products or brand, but also delivering household care-related knowledge and insights to consumers based on our research and production experience, thereby enhancing brand loyalty. We are an early mover and a leader in utilising e-commerce in China's household care industry and have built a powerful omni-channel sales and distribution network. Since 2008, we have launched technology advancement programmes to digitalise our operation process, including procurement, manufacturing, and sales to make our business operation more efficient and scalable.

We believe the market environment and consumer trends are in our favour. According to the Frost & Sullivan Report:

- China has one of the world's largest household care markets with the highest growth potential among the major economies. The market size of China's household care market as measured by retail sales value is expected to grow from RMB110.8 billion in 2019 to RMB167.7 billion in 2024, accounting for over one third of the growth in the global household care industry from 2019 to 2024. In particular, the fabric care market is the largest market in the household care industry in China, accounting for 61.2% of China's total household care market in 2019 in terms of retail sales value;

- Chinese consumers are increasing their spending on high-quality products such as liquid laundry detergents and concentrated liquid laundry detergents. While these products are prevalent in developed markets such as the U.S. and Japan, their penetration rates have been growing rapidly in China. According to the Frost & Sullivan Report, the market penetration of liquid laundry detergents in China rose from 32.0% in 2015 to 44.0% in 2019 and is projected to further increase to 58.6% in 2024. In 2019, penetration rates of concentrated liquid laundry detergents in Japan and the U.S. reached 100%, while the penetration rate of concentrated liquid laundry detergents in China was 8.2% in the same year, showing significant potential for growth in China; and

- E-commerce is an important and fast growing retail channel in China. Sales of household care products through e-commerce is expected to grow at a CAGR of 16.2% from 2019 to 2024 and account for 31.9% of China's overall household care market by 2024.

We identified these market trends early and have positioned our business to benefit from these trends. We have become a leader in the liquid laundry detergents, concentrated liquid laundry detergents and liquid soap markets in China. Our effective knowledge-based marketing has not only enhanced consumer loyalty to our brands, but has also reinforced the adoption of liquid and concentrated products by consumers. In 2019, although China's online penetration for household care industry was only 22.8%, we generated 47.2% of our total revenue from online sales channels and built leading market shares in all the major e-commerce platforms.

The "Blue Moon (藍月亮)" brand was founded by our chief executive officer, Mr. Luo, 28 years ago. He has inspired and assembled an experienced management team who draws on an average of more than 20 years' industry experience. In addition, our chairman, Ms. Pan has also been instrumental in formulating our corporate strategies, which has led to the successful expansion of our business. We believe our success is a result of their focus on the household care industry and dedication to consumer satisfaction.

Our business has grown significantly during the Track Record Period. Our revenue has grown at a CAGR of 11.9% from 2017 to 2019. In 2019, our revenue was HK$7,049.9 million while our net profit was HK$1,079.6 million. In the six months ended 30 June 2020, our revenue was HK$2,435.9 million while our net profit was HK$302.2 million.

OUR PRODUCTS

We have built a diverse portfolio of market-leading products that are well-recognised among consumers in China. The breadth and depth of our product portfolio enable us to offer various product options to consumers for different scenarios and provide a wide range of solutions to meet their household cleaning needs. From 2017 to 2019, our main brand "Blue Moon (藍月亮)" ranked first in the liquid laundry detergent market and the liquid soap market, each in terms of the market size by retail sales value in China, according to the Frost & Sullivan Report. In 2019, according to the same report, "Blue Moon (藍月亮)" ranked fourth in both the fabric care market and the personal hygiene market and ranked fifth in the home care market, all in terms of retail sales value in China. We also strive to develop more products under different brands to cater for our customers' diverse cleaning needs. From 2013 to 2019, we rolled out bathroom cleaning products under the "Volo (衛諾)" brand, concentrated liquid laundry detergent products under the "Supreme (至尊)" brand, premium liquid soap products under the "Jingxiang (淨享)" brand, and utensil, fruit and vegetable cleaning products with a mild and gentle formula under the "Tianlu (天露)" brand, in order to address the new and evolving household cleaning needs of consumers. Our effort to expand our product portfolio has further solidified our brand image as a provider of scientific and professional household care products.

The following table sets forth the revenue contribution and the percentage of the revenue contribution for the periods indicated:

	Year ended 31 December						**Six months ended 30 June**			
	2017		**2018**		**2019**		**2019**		**2020**	
	Revenue	**% of Total Revenue of the Year**	**Revenue**	**% of Total Revenue of the Year**	**Revenue**	**% of Total Revenue of the Year**	**Revenue**	**% of Total Revenue of the Period**	**Revenue**	**% of Total Revenue of the Period**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Fabric care products	4,922,459	87.4	5,917,277	87.4	6,177,613	87.6	2,364,351	86.9	1,681,407	69.0
Personal hygiene products	328,021	5.8	410,616	6.1	418,545	5.9	180,051	6.6	465,602	19.1
Home care products	381,553	6.8	440,052	6.5	453,747	6.5	175,948	6.5	288,859	11.9
Total	5,632,033	100.0	6,767,945	100.0	7,049,905	100.0	2,720,350	100.0	2,435,868	100.0

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The table below sets forth our gross profit and gross profit margin by product category for the periods indicated:

	Year ended 31 December						**Six months ended 30 June**			
	2017		**2018**		**2019**		**2019**		**2020**	
	Amount	**Gross profit margin**	**Amount**	**Gross profit margin**	**Amount**	**Gross profit margin**	**Amount**	**Gross profit margin**	**Amount**	**Gross profit margin**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Fabric care products	2,546,370	51.7	3,346,739	56.6	3,948,753	63.9	1,444,655	61.1	1,031,954	61.4
Personal hygiene products	208,674	63.6	263,856	64.3	271,986	65.0	117,890	65.5	317,549	68.2
Home care products	240,079	62.9	275,706	62.7	302,271	66.6	109,170	62.0	209,100	72.4
Total	2,995,123	53.2	3,886,301	57.4	4,523,010	64.2	1,671,715	61.5	1,558,603	64.0

The following table sets forth our sales volume and average selling price by product category for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	Sales volume (net weight)	**Average selling price**	**Sales volume (net weight)**	**Average selling price**	**Sales volume (net weight)**	**Average selling price**	**Sales volume (net weight)**	**Average selling price**	**Sales volume (net weight)**	**Average selling price**
	kg '000	*HK$ per kg*	*kg '000*	*HK$ per kg*	*kg '000*	*HK$ per kg*	*kg '000*	*HK$ per kg*	*kg '000*	*HK$ per kg*
Fabric care products	401,269	12.3	464,022	12.8	508,665	12.1	198,716	11.9	167,077	10.1
Personal hygiene products	24,138	13.6	30,310	13.5	32,425	12.9	13,551	13.3	32,470	14.3
Home care products	25,059	15.2	30,317	14.5	32,831	13.8	13,137	13.4	23,045	12.5
Total	450,466	12.5	524,649	12.9	573,921	12.3	225,404	12.1	222,592	10.9

Please refer to the section headed "Financial Information – Description of Certain Consolidated Statements of Comprehensive Income Items – Revenue" for an analysis of our products' sales volume and average selling price during the Track Record Period.

RESEARCH AND DEVELOPMENT

Our business has significantly benefited from our strong track record in research and development. We have a two-pronged research and development focus, including (i) introducing new products to meet evolving consumer preferences and to elevate user experience, and (ii) developing and sharing scientific and practical cleaning methods with consumers.

We established our Research and Development Technology Centre since the inception of our operation and the Blue Moon Applied Sciences and Laundry Academy dedicated to the development and assessment of laundry products and methods in 2015. As a result of our efforts in research and development, as at the Latest Practicable Date, we had obtained a total of 673 registered trademarks, 152 patents and 159 copyrights in China. Please refer to the section headed "Business – Intellectual Property" for details.

CUSTOMER SERVICES

As a consumer-centric organisation, our customer services enhance our direct interaction with consumers and potentially increase customer stickiness. Additionally, through our customer services, we deliver to consumers cleaning-related knowledge we developed. We offer to consumers both online and offline services in a timely manner. We primarily provide two main services, namely our customer support services and our laundry services, to enhance direct interaction with consumers and meet the needs of different consumers in different scenarios. Specifically, through our customer support services, we provide technical support and collect feedback and inquiries from our consumers who would like to do cleaning work by themselves. Our laundry services provide an alternative for consumers who do not have time or are not able to perform difficult laundry tasks themselves. We believe our personalised customer support services is a key gateway to retaining our customers and creating brand loyalty.

KNOWLEDGE-BASED MARKETING

We are committed to delivering household care-related knowledge and insight based on our research and production experience. We have implemented our knowledge-based marketing philosophy through various channels, including (i) online marketing, such as marketing events hosted on social media platforms and e-commerce platforms; (ii) offline marketing, primarily through our cleaning consultants at retail points of sale; (iii) special events, including our sponsorship of nationally televised programmes and offline themed events we organise from time to time; and (iv) commercial advertisements, including celebrity endorsement. Knowledge-based marketing enables us to reach a wider consumer base with different purchasing power and habits, and in turn helps us build a loyal and valuable customer base.

SALES AND DISTRIBUTION NETWORK

We have an omni-channel sales and distribution network covering both online and offline businesses. We have established a nationwide sales network with in-depth market penetration. As at 30 June 2020, our offline sales and distribution network covers all provinces in China. We were one of the first companies in China's household care industry to utilise online sales channels, including our sales to e-commerce platforms and our sales to consumers through online stores, such as our proprietary online stores and third party online stores. Over almost a decade of cooperation with major e-commerce platforms, we achieved success in our online sales and became key business partners with certain major e-commerce platforms in China. Our offline sales and distribution network includes our direct sales to key account clients such as hypermarkets and supermarkets as well as offline distributors which resell our products to hypermarkets, supermarkets, convenience store, local grocery stores, gas stations and certain small vendors in the residential communities. The rise in e-commerce sales has been particularly profound for our business, with us experiencing a shift of consumer buying behaviour from offline purchases to online purchases. The table below sets forth a breakdown of revenue contribution by sales and distribution channel during the Track Record Period:

	Year ended 31 December						**Six months ended 30 June**			
	2017		**2018**		**2019**		**2019**		**2020**	
	Revenue	**Total**	**Revenue**	**Total**	**Revenue**	**Total**	**Revenue**	**Total**	**Revenue**	**Total**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Online sales channels:										
sales to e-commerce platforms	1,479,292	26.2	1,924,890	28.4	2,166,462	30.7	1,097,896	40.4	904,279	37.1
sales to consumers through:										
our proprietary online stores	310,425	5.5	634,177	9.4	888,765	12.6	359,241	13.2	378,449	15.6
third party online stores	76,799	1.4	159,088	2.4	272,931	3.9	104,594	3.8	148,842	6.1
Direct sales to key account clients	703,245	12.5	820,191	12.1	996,582	14.1	302,299	11.1	187,707	7.7
Offline distributors	3,062,272	54.4	3,229,599	47.7	2,725,165	38.7	856,320	31.5	816,591	33.5
Total	5,632,033	100.0	6,767,945	100.0	7,049,905	100.0	2,720,350	100.0	2,435,868	100.0

Revenue from our online channels increased significantly from 2017 to 2019. The increase was primarily due to (i) an increase in the number of e-commerce platforms we cooperated with over the Track Record Period, (ii) our strengthened cooperation with various popular e-commerce platforms, (iii) increased sales of multi-item combo packs through our online channels, and (iv) our successful cross-selling strategy that promoted the sales of our personal hygiene products and home care products. Revenue from our online channels decreased in the six months ended 30 June 2020 as compared to the six months ended 30 June 2019, primarily due to the impact of the COVID-19 outbreak. Revenue from direct sales to our key account clients increased from 2017 to 2019 due to our strengthened cooperation with our direct sales KAs. Revenue from direct sales to our key account clients decreased in the six months ended 30 June 2020 as compared to the six months ended 30 June 2019, primarily due to the impact of the COVID-19 outbreak. Revenue from offline distributors decreased by HK$504.4 million, or 15.6%, from HK$3,229.6 million in 2018 to HK$2,725.2 million in 2019, primarily due to our efforts to optimise our offline distributor network since the second half of 2018. Revenue from offline distributors decreased in the six months ended 30 June 2020 as compared to the six months ended 30 June 2019, primarily due to the impact of the COVID-19 outbreak. Please refer to the section headed "Business – Sales and Distribution Network" for details.

CUSTOMERS

Our customers are generally distributors and direct sales clients, including e-commerce platforms, offline distributors, and our key account clients such as hypermarkets and supermarkets. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020, the aggregate revenue generated from our top five customers amounted to HK$1,841.1 million, HK$2,176.8 million, HK$2,550.6 million and HK$981.6 million, respectively, which accounted for 32.7%, 32.2%, 36.2% and 40.3% of our total revenue, respectively. For the same periods, revenue from the largest customer amounted to HK$904.9 million, HK$900.1 million, HK$1,014.1 million and HK$554.9 million, respectively, which accounted for 16.1%, 13.3%, 14.4% and 22.8%, respectively.

PROCUREMENT AND SUPPLIERS

The principal raw materials we use in our production are chemicals and packaging materials. We procure most of our raw materials from suppliers located at the adjacent regions of our production bases. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020, we incurred raw material costs of HK$2,096.4 million, HK$2,611.2 million, HK$2,059.5 million, HK$801.5 million and HK$818.1 million respectively, which accounted for 79.5%, 90.6%, 81.5%, 76.4% and 93.3% of our total cost of sales, respectively. We have maintained stable and long-term relationships with our key suppliers. We consider several factors in the evaluation and selection of our suppliers, including but not limited to their business scale, production capacity, quality control and location of the sites, and most importantly the quality and pricing of their products and services. In general, our suppliers entered into agreements with us for a term of two to five years. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020, the aggregate purchases from our top five suppliers amounted to HK$1,007.8 million, HK$1,001.4 million, HK$871.0 million, and HK$333.4 million, respectively, which accounted for 41.6%, 31.6%, 36.1% and 34.2% of our total purchases, respectively. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020, our purchase from the largest supplier amounted to HK$291.1 million, HK$234.1 million, HK$202.2 million, and HK$80.2 million, respectively, which accounted for 12.0%, 7.4%, 8.4% and 8.2% of our total purchases, respectively.

PRODUCTION BASES

As at the Latest Practicable Date, we owned and operated four production bases to manufacture our products, namely Guangzhou production base, Tianjin production base, Kunshan production base, and Chongqing production base. During the Track Record Period, the utilisation rates of all of our production lines exceeded the industry average utilisation rates and limited our production capacity, according to the Frost & Sullivan Report. In the peak season of our production, the utilisation rate of our production lines are much higher than the industry average utilisation rates. We expect the utilisation rates for our production lines to increase along with the growth of our business. As a result, based on our market research and our future business development plan, we decided to expand the capacity of our production bases.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGY

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors: (i) we are a leader and an early mover in China's household care market and are well-positioned to capture significant growth opportunities, (ii) we have a diverse product portfolio and a proven track record of product development which contributes to the upgrade of China's household care industry, (iii) we have built a powerful and nationwide omni-channel distribution network, (iv) we have built a strong brand with long-term value through knowledge-based marketing and superior customer services, (v) our tech-enabled operations enhance our efficiency, adaptability and scalability, and (vi) our founder and management team are experienced, committed and visionary. Please refer to the section headed "Business – Competitive Strengths" for details.

Our principal business objectives are to focus on enhancing consumers' user experience, increase our market share and strengthen our reputation as experts in the household care industry by pursuing the following strategies: (i) expand and upgrade our product offerings to solidify our leading market position, (ii) further strengthen our omni-channel distribution network and increase products penetration, (iii) continue to win consumers' trust through promotion of scientific cleaning knowledge, (iv) improve consumer experience by enriching our services, (v) accelerate digitisation and upgrade our manufacturing network to further improve operational efficiency, and (vi) retain and recruit high-quality employees. Please refer to the section headed "Business – Business Strategies" for details.

RISK FACTORS

There are certain risks relating to an investment in our Shares. These risks can be characterised as (i) risks relating to our business and industry; (ii) risks relating to the PRC, and (iii) risks relating to the Global Offering. We believe that the most significant risks we face include the following: (i) our success depends on the value, reputation and relevance of our brands, (ii) our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful, (iii) we operate in a competitive industry and if we are unable to compete effectively, our business, financial condition, results of operations and prospects would be materially and adversely affected, (iv) we face risks related to health epidemics, infectious diseases and other outbreaks, including the COVID-19 outbreak, (v) any quality issues related to our products or the household care industry could result in a loss of customers and sales and, if related to our products, may subject us to product liability claims, and (vi) our efforts in developing and investing in technology may not generate expected outcomes. For more information, please see the section headed "Risk Factors".

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of the Consolidated Statements of Comprehensive Income

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
			HK$'000		
				(unaudited)	
Revenue	5,632,033	6,767,945	7,049,905	2,720,350	2,435,868
Cost of sales	(2,636,910)	(2,881,644)	(2,526,895)	(1,048,635)	(877,265)
Gross profit	2,995,123	3,886,301	4,523,010	1,671,715	1,558,603
Other income and other gains, net	23,097	37,446	51,522	34,673	39,768
Selling and distribution expenses	(2,068,649)	(2,547,972)	(2,323,123)	(1,030,713)	(816,386)
General and administrative expenses	(776,271)	(632,774)	(747,765)	(328,924)	(346,154)
Net (provision for)/reversal of impairment loss of financial assets	(16,073)	6,151	(1,867)	226	(6,459)
Operating profit	157,227	749,152	1,501,777	346,977	429,372
Finance income	3,126	6,218	5,652	2,154	4,136
Finance costs	(47,123)	(53,455)	(32,188)	(20,328)	(4,703)
Finance costs, net	(43,997)	(47,237)	(26,536)	(18,174)	(567)
Profit before income tax	113,230	701,915	1,475,241	328,803	428,805
Income tax expenses	(27,071)	(147,930)	(395,624)	(110,847)	(126,612)
Profit for the year/period attributable to the owner of our Company	86,159	553,985	1,079,617	217,956	302,193

Revenue

- *Six months ended 30 June 2020 compared to six months ended 30 June 2019:* the decrease in revenue was primarily due to a decrease in revenue from our fabric care products, which was partially offset by increases in revenue from our personal hygiene products and home care products. These fluctuations were primarily attributable to the impact of the COVID-19 outbreak. While the COVID-19 outbreak weakened consumers' demand for fabric care products, it has also resulted in a significant increase in the demand for disinfectant products, resulting in significant growth in our revenue from sales of our personal hygiene products and home care products in the first six months of 2020.

- *2019 compared with 2018:* the increase in revenue was primarily due to (i) the successful marketing and promotional efforts that contributed to the increase in sales of our fabric care products and (ii) the increased sales through online channels as we increased the number of e-commerce platforms we cooperated with, and strengthened cooperation with various e-commerce platforms, in 2019.

- *2018 compared with 2017:* the increase in revenue was primarily due to (i) the successful marketing and promotional efforts that contributed to the increase in sales of our fabric care products and (ii) the increased sales through online channels as we increased the number of e-commerce platforms we cooperated with, and strengthened cooperation with various e-commerce platforms, in 2018.

Gross profit margin

The increase in our gross profit margin during the Track Record Period was primarily driven by the decreasing price trend of the raw materials as well as other factors such as improved inventory management and production efficiency. Raw materials accounted for 79.5%, 90.6%, 81.5%, 76.4% and 93.3% of our total cost of sales during the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. During the same periods, chemicals (a substantial amount of which is comprised of palm oil-based materials) accounted for 48.2%, 49.3%, 44.5%, 41.4% and 49.5% of our total cost of sales, respectively; packaging materials (a substantial amount of which is comprised of LDPE-based materials) accounted for 31.3%, 41.3%, 37.0%, 35.0% and 43.8% of our total cost of sales, respectively. According to the Frost & Sullivan Report, from 2017 to 2019, the price of LDPE decreased from RMB9,513.6 per tonne to RMB7,860.7 per tonne and the price of palm oil decreased from RMB5,771.5 per tonne to RMB4,884.2 per tonne. More specifically:

- *six months ended 30 June 2020 compared to six months ended 30 June 2019:* our overall gross profit margin increased from 61.5% for the six months ended 30 June 2019 to 64.0% for the six months ended 30 June 2020, primarily due to the increased sales of disinfectant products, which has a relatively higher profit margin than other products;

- *2019 compared with 2018:* our overall gross profit margin increased from 57.4% in 2018 to 64.2% in 2019, primarily due to (i) a decrease in our cost of sales mainly as a result of decreases in the costs of palm oil-based chemicals and LDPE supplied to us in 2019, as well as our successful efforts in (a) improving inventory and procurement management and (b) improving our production efficiency; and (ii) to a lesser extent, an increase in sales of products with relatively high gross profit margins as part of our strategy to optimise our product mix; and

- *2018 compared with 2017:* our overall gross profit margin increased from 53.2% in 2017 to 57.4% in 2018, primarily due to (i) a decrease in our cost of sales per unit as a result of decreases in the costs of palm oil-based chemicals supplied to us in 2018, as well as our successful effort in (a) improving inventory and procurement management and (b) improving our production efficiency, and (ii) an increase in sales of certain fabric care products with higher gross profit margins.

Please refer to the section headed “Financial Information – Results of Operations” for details of reasons for fluctuations in consolidated statements of comprehensive income items.

Summary of the Consolidated Balance Sheets

	As at 31 December			As at 30 June
	2017	2018	2019	2020
		HK$'000		
Current assets	2,400,956	2,452,724	3,130,707	2,600,531
Current liabilities	2,701,993	2,103,842	1,775,851	1,147,836
Net current (liabilities)/assets	(301,037)	348,882	1,354,856	1,452,695
Non-current assets	1,974,880	1,835,375	1,909,984	1,907,811
Non-current liabilities	305,003	326,474	401,761	281,498
Total equity	1,368,840	1,857,783	2,863,079	3,079,008

We recorded net current liabilities of HK$301.0 million as at 31 December 2017, primarily due to: (i) our short-term borrowings to finance our construction of production facilities and expansion of existing facilities, which are generally categorised as non-current property, plant and equipment, and (ii) certain trade and bills payables and accruals and other payables resulted from the expansion of our operations. Our liquidity situation improved and we recorded net current assets as at 31 December 2018 and 2019 and 30 June 2020. Please refer to the section headed "Financial Information – Liquidity and Capital Resources – Net current assets/liabilities" for details.

Summary of the Consolidated Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
			HK$'000		
				(unaudited)	
Net cash generated from operating activities	703,114	249,017	1,032,424	93,516	526,908
Net cash used in investing activities	(214,890)	(138,220)	(193,503)	(9,030)	(81,209)
Net cash used in financing activities	(133,403)	(165,759)	(598,878)	(152,499)	(372,524)
Net increase/(decrease) in cash and cash equivalents	354,821	(54,962)	240,043	(68,013)	73,175
Cash and cash equivalents, at beginning of the year/period	165,075	547,436	467,967	467,967	690,064
Effect of foreign exchange rate changes	27,540	(24,507)	(17,946)	(16,020)	(9,797)
Cash and cash equivalents, at end of the year/period	547,436	467,967	690,064	383,934	753,442

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or as of the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
				(unaudited)	
Gross profit margin[(1)]	53.2%	57.4%	64.2%	61.5%	64.0%
Net profit margin[(2)]	1.5%	8.2%	15.3%	8.0%	12.4%
Return on equity[(3)]	6.7%	34.3%	45.7%	N/A	N/A
Return on assets[(4)]	2.1%	12.8%	23.1%	N/A	N/A

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Gearing ratio[(5)]	77.6%	49.9%	16.6%	6.7%
Current ratio[(6)]	0.9	1.2	1.8	2.3
Quick ratio[(7)]	0.7	0.9	1.6	1.9

Notes:

(1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin equals net profit divided by revenue and multiplied by 100%.

(3) Return on equity equals net profit divided by the average of the beginning and ending total equity and multiplied by 100%.

(4) Return on assets equals net profit divided by the average of the beginning and ending total assets and multiplied by 100%.

(5) Gearing ratio equals total debt (including borrowings and lease liabilities) divided by total equity and multiplied by 100%.

(6) Current ratio equals current assets divided by current liabilities.

(7) Quick ratio equals current assets less inventories divided by current liabilities.

Our overall gross profit margin increased from 53.2% in 2017 to 57.4% in 2018, primarily due to (i) a decrease in our cost of sales per unit as a result of decreases in the cost of palm oil-based chemicals supplied to us in 2018, as well as our successful efforts in improving (a) our inventory and procurement management and (b) our production efficiency, and (ii) an increase in sales of certain fabric care products with higher gross profit margins. Our overall gross profit margin increased from 57.4% in 2018 to 64.2% in 2019, primarily due to (i) a decrease in our cost of sales mainly as a result of decrease in the cost of palm oil-based chemicals and LDPE supplied to us in 2019, as well as our successful efforts in improving (a) our inventory and procurement management and (b) our production efficiency, and (ii) to a lesser extent, an increase in sales of products with relatively high gross profit margins as part of our strategy to optimise our product mix. Our overall gross profit margin increased from 61.5% for the six months ended 30 June 2019 to 64.0% for the six months ended 30 June 2020, primarily due to an increase in the sales of disinfectant products, which has a relatively higher profit margin than other products.

Please refer to the section headed "Financial Information – Key Financial Ratios" for details.

GEARING RATIO

Our gearing ratio decreased from 77.6% as at 31 December 2017 to 49.9% as at 31 December 2018 and 16.6% as at 31 December 2019, and further decreased to 6.7% as at 30 June 2020 primarily due to decreases in borrowings. Had we taken into account (1) the proceeds from the term loan with the principal amount of HK$2,300,000,000 pursuant to the Facility Agreement; (2) the receipt of the net proceeds of HK$8,492 million from the Global Offering which is one of the conditions precedent of the term loan (assuming (i) an Offer Price of HK$11.68 per Share (being the mid-point of the Offer Price Range), (ii) the underwriting commissions and the other estimated expenses payable by us as at 30 June 2020 have been deducted from the proceeds, and (iii) the Over-allotment Option is not exercised); and (3) the distribution of interim dividend of HK$2,300,000,000, the gearing ratio as at 30 June 2020 would have been 27.0%.

USE OF PROCEEDS

Assuming that the Offer Price is HK$11.68 per Share (being the mid-point of the Offer Price Range of between HK$10.20 and HK$13.16 per Share), we estimate that we will receive net proceeds of approximately

HK$8,492 million from the Global Offering after deducting the underwriting commissions and the other expenses payable by us. In line with our business strategies, we intend to use the net proceeds from Global Offering for the purposes and in the amounts set out below:

- approximately 35.6%, or HK$3,024 million, is expected to be used to finance our business expansion including production capacity expansion plans and to purchase equipment and machinery to facilitate such expansion plan as well as the development of our laundry services;

- approximately 52.4%, or HK$4,453 million, is expected to be used to raise our brand awareness, further strengthen our sales and distribution network and increase our product penetration;

- approximately 10.0%, or HK$849 million, is expected to be used as our working capital and for other general corporate purposes; and

- approximately 2.0%, or HK$166 million, is expected to be used to enhance our research and development capabilities.

If the Over-allotment Option is exercised in full, after deducting the underwriting commissions and the other expenses payable by us in connection with the exercise of the Over-allotment Option, we estimate the net proceeds we will receive from the Global Offering will be approximately HK$9,775 million assuming that the Offer Price is HK$11.68 per Share (being the mid-point of the Offer Price Range of between HK$10.20 and HK$13.16 per Share).

To the extent that the net proceeds of the Global Offering are not immediately required for the aforesaid purposes, we may hold such funds as short-term, interest-bearing deposits with licensed banks or authorised financial institutions. Please refer to the section headed "Future Plans and Use of Proceeds" for details.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 747,126,500 Shares are issued and sold in the Global Offering, (ii) the Over-allotment Option is not exercised, (iii) the Capitalisation Issue is completed, (iv) no Shares will be issued upon exercise of any options granted under the Pre-IPO Share Option Scheme, (v) 5,747,126,500 Shares are issued and outstanding following the completion of the Global Offering and the Capitalisation Issue, and (vi) the interim dividend in the amount of HK$2,300,000,000 has become unconditional:

	Based on an Offer Price of HK$10.20 per Share	Based on an Offer Price of HK$13.16 per Share
Market capitalisation	HK$58,621 million	HK$75,632 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(1)	HK$1.40	HK$1.78

Note:

(1) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed "Appendix II – Unaudited Pro Forma Financial Information", including the impact of the interim dividend in the amount of HK$2,300.0 million. Please refer to the sections headed "Financial Information – Dividends and Dividend Policy" and "Appendix II – Unaudited Pro Forma Financial Information" in this prospectus for further information. It is calculated on the basis that 5,747,126,500 Shares are issued and outstanding immediately following the completion of the Global Offering and Capitalisation Issue.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any outstanding share options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, Ms. Pan, through ZED and Van Group Limited, will be indirectly interested in approximately 77.36% of the issued share capital of our Company. Accordingly, each of Ms. Pan, ZED and Van Group Limited will be a Controlling Shareholder of our Company immediately following completion of the Global Offering and the Capitalisation Issue.

OUR PRE-IPO INVESTORS

Our Group received two rounds of Pre-IPO Investments, pursuant to which each of our Pre-IPO Investors subscribed for preferred shares of Aswann, which was our sole Shareholder prior to the completion of the Distribution. Following the Distribution, the Pre-IPO Investors became our direct Shareholders. For further details of the Pre-IPO Investments, please refer to the section headed "History, Reorganisation and Corporate Structure – Major shareholding changes and Pre-IPO Investments".

COVID-19 OUTBREAK

The COVID-19 outbreak in early 2020 has materially and adversely affected the global economy. The COVID-19 outbreak presented challenges to our business and financial conditions. During the first quarter of 2020, the sales of our fabric care products decreased by HK$494.0 million, as compared with the same period in 2019, primarily due to a decrease in demand of such products as consumers temporarily reduced outdoor activities due to social distancing during the COVID-19 outbreak and the limited operations of certain offline retail shops as a result of the restrictive measures adopted by local governments across China. Affected by the COVID-19 outbreak and the government's relevant control measures, most of our production were temporarily suspended in January and February 2020, other than those for disinfectant products. As at the Latest Practicable Date, all our production bases have resumed operation.

In particular, the sales of our concentrated liquid laundry detergent products have been adversely affected by the COVID-19 outbreak. According to the Frost & Sullivan Report, the market for concentrated liquid laundry detergent in China is still developing. Consumers in China generally have not fully understood the value and effectiveness of the concentrated liquid laundry detergent products and therefore, it may take a longer period of time for consumers in China to fully appreciate the benefits of such products. Accordingly, since the first launch of our Supreme branded concentrated liquid laundry detergent products in 2015, we have sent our sales personnel to offline hypermarkets to engage in onsite sales activities and consumer education activities to help consumers better understand the value and effectiveness of such products. In 2019, the penetration rate of concentrated liquid laundry detergents (being the retail sales value of concentrated liquid laundry detergents as a percentage of total retail sales value of all liquid laundry detergents) in China was 8.2%, while the penetration rate of concentrated liquid laundry detergents in Japan and the U.S. reached 100%, according to the Frost & Sullivan Report. Due to the relatively low penetration rate of the concentrated liquid laundry detergents in China, we have continued to send our sales personnel to conduct consumer education activities in respect of our Supreme branded concentrated liquid laundry detergent products offline as explained above. However, the COVID-19 outbreak had significantly affected our ability to conduct such activities in the first quarter of 2020. As a result, sales of our Supreme branded concentrated liquid laundry detergents declined and based on our ongoing communication with the customers, we recognised sales returns from our direct sales KAs and offline distributors of unsold Supreme branded concentrated liquid laundry detergent products of approximately HK$149.8 million as a result of the COVID-19 outbreak. Such sales returns impacted our consolidated statements of comprehensive income for the six months ended 30 June 2020, representing approximately 6.1% of our revenue for the six months ended 30 June 2020. Among the sales returns, products with a sales amount of HK$95.7 million have been received as at 30 June 2020 and the corresponding trade receivables have been derecognised accordingly. Although the remaining products with a sales amount of HK$54.1 million have not been received by us as at 30 June 2020, as we expect such products will be returned to us based on our ongoing communication with our customers and the progress of the refund requests being processed, we have recognised refund liabilities of HK$53.5 million[1] in relation to these yet-to-be returned products as at 30 June 2020. Between 30 June 2020 and the Latest Practicable Date, products with a sales amount of HK$40.9 million have been returned. Please refer to the sections headed "Financial Information – Significant Accounting Policies, Judgements and Estimates – Provision for sales return" and "Financial Information – Significant Accounting Policies, Judgements and Estimates – Refund liabilities" for our accounting judgement related to product returns and refund liabilities. We accepted such product returns from our customers primarily for commercial considerations, such as to maintain good business relationships with our customers. Based on the information provided by our customers who were Independent Third Parties during the Track Record Period, we estimate that the approximate amount of the unsold inventories of Supreme branded concentrated liquid laundry detergents from our direct sales KAs and offline distributors as at the Latest Practicable Date would not exceed 5% of our revenue for the year ended 31 December 2019.

In the unlikely worst case scenario, assuming (i) all of our operations are suspended indefinitely, (ii) our trade receivables continue to be settled in the same manner as during the Track Record Period, (iii) our general and administrative costs remain unchanged since 30 June 2020, (iv) we maintain our available cash and cash equivalents and our unutilised banking facilities as at 30 June 2020 and (v) we utilise 10% of the net proceeds from the Global Offering as our working capital, we believe our Company would be financially viable for at least 12 months following the occurrence of such worst case scenario. Save as otherwise disclosed in this prospectus, our Directors confirmed that, as at the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 June 2020. Please refer to the sections headed "Financial Information – Recent Developments and Material Adverse Change" and "Business – Impact of the COVID-19 outbreak on our Business" for details.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Based on our management accounts, our revenue for the nine months ended 30 September 2020 decreased slightly from the nine months ended 30 September 2019, primarily due to a decrease in revenue from fabric care products. Consumers had a weaker demand for fabric care products in general as consumers reduced outdoor activities due to social distancing during the COVID-19 outbreak primarily in the first half of 2020. Such decrease in revenue was partially offset by an increase in revenue from our personal hygiene products and home care products in the nine months ended 30 September 2020 driven by consumers' increased awareness of personal and household hygiene as a result of the COVID-19 outbreak as well as the general recovery in sales in the third quarter of 2020 as the impact of the COVID-19 outbreak gradually subsided in China. In addition, based on our management accounts, our gross profit for the nine months ended 30 September 2020 slightly decreased

[1] The refund liabilities as at 30 June 2020 were slightly different from the sales amount of the remaining products that have not been received by us as at the same date, due to the different exchange rates used in calculating the income statement line items and the balance sheet line items.

compared to that for the nine months ended 30 September 2019 and our gross profit margin for the nine months ended 30 September 2020 was comparable to that for the nine months ended 30 September 2019.

Term Loan Facility

On 24 November 2020, we entered into a term loan facility agreement with a principal amount of HK$2,300,000,000 (or its U.S. dollar equivalent) (the "**Facility Agreement**") with a syndicate of banks including Citibank, N.A., Hong Kong Branch to finance the payment of the interim dividend we declared in June 2020. Subject to the Listing taking place and the fulfilment of certain customary conditions precedent, the term loan is available for drawdown from the date of the agreement to the earlier of (i) six months after the date of the Facility Agreement and (ii) six months after the Listing Date. Once drawn, the tenor of the loan is 36 months after the date of the Facility Agreement, with an interest rate of the applicable Hong Kong Interbank Offered Rate (if the drawdown is in Hong Kong dollars) or London Interbank Offered Rate (if the drawdown is in U.S. dollars) plus a certain margin. The mandatory repayment of the principal amount of the term loan will take place between the 24th and 36th month after the date of the Facility Agreement. However, the Company may make any voluntary prepayment of the term loan after 6 months from the date of the Facility Agreement (or if earlier, the day on which the available facility is zero). The Facility Agreement contains a set of covenants that are customary for commercial bank loans and requires us to meet certain financial ratio requirements such as maximum net debt-to-EBITDA ratio, minimum EBITDA-to-interest coverage ratio and minimum tangible net worth. The term loan provides for multiple drawdowns which would provide flexibility for us to fund the payment of the interim dividend using such combination of resources which is in the best interest of our Company and the Shareholders as a whole. As at the Latest Practicable Date, no drawdown has been made under the Facility Agreement.

Pre-IPO Share Option Scheme

On 23 September 2020, we adopted the Pre-IPO Share Option Scheme. On 23 September 2020, pursuant to the Pre-IPO Share Option Scheme, we have granted share options to subscribe for an aggregate of 61,651,000 Shares to certain grantees who are our employees (including our Directors and members of our senior management team) and Business Associates of our Group. Please refer to the section headed "Appendix V – Statutory and General Information – D. Pre-IPO Share Option Scheme" for details.

Save as disclosed above in this section, our Directors confirm that there has not been any material adverse change in our financial or trading position or prospects since 30 June 2020.

DIVIDENDS AND DIVIDEND POLICY

Dividends

In January 2013, we declared a dividend in the aggregate amount of HK$188.7 million to ZED, our sole shareholder until November 2010, in respect of our retained earnings for the periods up to 31 December 2009. During 2019, we paid HK$37.0 million of such dividend to ZED and as at 31 December 2019, the amount of the outstanding dividend payable to ZED was HK$48.3 million. In January 2020, we declared a dividend in the amount of HK$36.6 million to ZED in respect of our retained earnings for the periods up to 31 December 2009. During the six months ended 30 June 2020, we paid the total outstanding dividends payable to ZED in the aggregate amount of HK$84.9 million using our internal resources.

During the Track Record Period, save for the interim dividend referred to below, we did not declare any dividend to our sole Shareholder, being Aswann.

In June 2020, we declared an interim dividend to our then sole Shareholder, being Aswann, in the amount of HK$2,300.0 million in respect of our retained earnings for the period up to 30 June 2020. Such dividend is conditional upon the Global Offering being completed on or before 31 December 2021 and subject to such condition being satisfied and with a view to maintaining sufficient flexibility for our operations and business expansions, it will be paid by us on or before 31 December 2021. Such dividend is expected to be funded by internal resources and/or a term loan facility obtained from a syndicate of banks including Citibank, N.A., Hong Kong Branch. None of the net proceeds from the Global Offering will be used to fund such dividend. As at the day the interim dividend was declared, Aswann was held as to 88.70% by ZED, 0.22% by Van Group Limited, 0.07% by Allied Power Limited, 10% by HCM, 0.72% by Hai Fei and 0.29% by CCIL, which is identical to our Company's shareholding structure immediately prior to the Global Offering.

Dividend Policy

We intend to distribute dividends to our Shareholders, the amount of which would be no less than 30% of our net profit for the first financial year (as determined in accordance with HKFRS) subsequent to the Global Offering. However, the amounts of distributions that we have declared and made in the past do not indicate the dividends that we may pay in the future. Our Board may declare dividends in the future after taking into account our earnings, financial condition, operating requirements and capital requirements and any other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and applicable laws and regulations.

LISTING EXPENSES

Assuming an Offer Price of HK$11.68 per Offer Share (which is the mid-point of the Offer Price Range) and the full payment of the discretionary incentive fee, if any, we expect to incur approximately HK$234.0 million of listing expenses (including the aggregate underwriting commissions and fees, the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering), accounting for 2.7% of the gross proceeds from the Global Offering. As at 30 June 2020, approximately HK$21.4 million has been charged to our consolidated statements of comprehensive income as administrative expenses. We expect to incur additional listing expenses of approximately HK$208.6 million after 30 June 2020, of which HK$32.4 million is expected to be recognised as administrative expenses. A total of HK$180.2 million is expected to be capitalised and deducted from equity upon Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

Company	Blue Moon Group Holdings Limited 藍月亮集團控股有限公司
Global Offering	Global offering of initially 747,126,500 Offer Shares (excluding our Shares to be offered pursuant to the exercise of the Over-allotment Option) comprising the Hong Kong Public Offering and the International Offering.
Hong Kong Public Offering	74,713,000 Shares (subject to reallocation).
International Offering	672,413,500 Shares (subject to reallocation and the Over-allotment Option).
Over-allotment Option	Up to 112,068,500 additional Shares, representing not more than approximately 15% of the number of Offer Shares initially being offered under the Global Offering, to be issued by our Company.
Offer Price Range	HK$10.20 to HK$13.16.
Price Determination	The Offer Price is expected to be determined on or about Wednesday, 9 December 2020 and, in any event, not later than Tuesday, 15 December 2020.
Lock-up Undertakings	• Our Company – six months from the Listing Date. • Each Controlling Shareholder – six months absolute lock-up and further six months lock-up on disposal of Shares that would result in her/it ceasing to be a Controlling Shareholder of our Company. • Each Pre-IPO Investor and Allied Power Limited – six months from the Listing Date.
Market Capitalisation at Listing	Expected to be between HK$58,621 million (based on the Minimum Offer Price) and HK$75,632 million (based on the Maximum Offer Price).
Listing and Trading	Expected to commence on Wednesday, 16 December 2020.
Board Lot	500 Shares.

Please refer to the sections headed "Underwriting" and "Structure of the Global Offering" for details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION AND REPRESENTATION

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

You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision. Neither our Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. No representation is made that there has been no change or development reasonably likely to involve a change in our Group's affairs since the date of this prospectus or that the information contained in this prospectus is correct as at any date subsequent to its date.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, our Shares or exercising any rights attaching to our Shares. We emphasise that neither our Company nor any of the Relevant Persons accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

REGISTER OF SHAREHOLDERS AND STAMP DUTY

Our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on our Hong Kong register of members. Dealings in our Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option and our Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme.

None of the equity and debt securities of our Company is listed on or dealt in on any other stock exchange and nor is any listing or permission to deal being or proposed to be sought.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, 16 December 2020. Our Shares will be traded in board lots of 500 Shares each. The stock code of our Shares will be 6993.

ADMISSION OF OUR SHARES INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, our Shares on the Main Board of the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date which HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

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

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation:

(a) the discussions of our business strategies, objectives and expectations regarding our future operations, margins, profitability, liquidity and capital resources;

(b) the future development of, and trends and conditions in, the industries and the general economy of the countries in which we operate or plan to operate;

(c) our ability to control costs;

(d) the nature of, and potential for, the future development of our business; and

(e) any statements preceded by, followed by or that include words and expressions such as "expect", "believe", "plan", "intend", "estimate", "forecast", "project", "anticipate", "seek", "may", "will", "ought to", "would", "should" and "could" or similar words or statements,

as they relate to our Group or our management, are intended to identify forward-looking statements.

These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views as to future events and are not a guarantee of our future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in the section headed "Risk Factors", which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation, and undertake no obligation, to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or that of any of our Directors are made as at the date of this prospectus. Any of these intentions may change in light of future developments.

An investment in our Shares involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with all other information contained in this prospectus, before deciding whether to invest in our Shares. The occurrence of any of the following events could harm our Company or our Group. If any of these events occur or these risks or any additional risks not currently known to our Group or which it now deems immaterial risks materialise, the business, financial condition, results of operation and/or the prospects of our Group could be materially and adversely affected. The market price of our Shares could fall significantly due to any of these events or risks (or such additional risks) and you may lose your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our success depends on the value, reputation and relevance of our brands.

Brand value plays an important role in influencing consumers' decision to purchase our products. Our business and market position depend on our ability to successfully market our brands, especially our "Blue Moon (藍月亮)" brand, which is critical to our success, and our ability to continue developing new products under our brands. The maintenance and promotion of our brand image also depend on many other factors that are not completely within our control, including, but not limited to, (i) customer satisfaction with our products; (ii) perception of the quality of our products, (iii) our ability to respond to changes in consumer preferences and stay competitive in the industry, (iv) our ability to maintain good relationship with e-commerce platforms, key account clients and offline distributors, (v) our ability to protect our trademarks and patents, and (vi) our ability to detect and take actions against counterfeiting or imitation of our products. We cannot assure you that we will be able to effectively mitigate against the factors that undermine our brand image.

In addition, we cannot assure you that we will be able to develop new brands in the future. Accordingly, we may continue to be exposed to the risk of relying significantly on our existing brands, especially the "Blue Moon (藍月亮)" brand. If these brands are tarnished in any manner, we may lose our competitive advantage and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our business is subject to changes in consumer demand, preferences and spending patterns.

Consumers' willingness to purchase our products may fluctuate as a result of changes in economic conditions, disposable income, technology, lifestyle and publicity of our products or products of our competitors. Additionally, the household care industry in China is highly competitive and consumers may be tempted to shift their choices and preferences when new products are introduced by various marketing and pricing campaigns of different brands. Any of these factors or our failure to anticipate, identify or adapt to these changes in a timely manner could result in reduced demand for our products. We may not be able to successfully adapt our business strategy, brand image and product portfolio to changes in market trends or shifts in consumer preferences and spending patterns, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful.

We have consistently devoted our efforts to developing new products and exploring new technology in order to not only adapt to evolving consumer preferences, but also influence market trends. For example, we have devoted a significant amount of resources into developing our concentrated liquid laundry detergent products and have launched our concentrated liquid laundry detergent branded "Supreme (至尊)" in 2015. We intend to further invest in research and development efforts in concentrated liquid laundry detergent products in the foreseeable future. However, we cannot assure you that such efforts will be successful. The new concentrated liquid laundry detergent products resulting from such efforts may not be well received by consumers, sometimes due to factors beyond our control. According to the Frost & Sullivan Report, although concentrated liquid laundry detergent is a well-developed concept in certain other countries and regions, it remains novel to most consumers in China and the market for concentrated liquid laundry detergent in China is still developing. Additionally, due to the application of concentration technologies, concentrated liquid laundry detergents are generally lighter in product weight but higher in price as compared with non-concentrated liquid laundry detergents. The small size of the concentrated liquid laundry detergent products may cause consumers to ignore such products as it is quite different from the typical laundry detergents that they expect. Further, consumers accustomed to non-concentrated liquid laundry detergents may use more than the required amount for laundry tasks and may gain a wrong impression of the cost-effectiveness of such concentrated products. As a result, consumers in China generally have not fully understood the value of the concentrated liquid laundry detergent products and therefore, it may take a longer period of time for consumers in China to fully appreciate the benefits of such products. Accordingly, since the first launch of our Supreme branded concentrated liquid laundry detergent products in 2015, we have sent our sales personnel to offline hypermarkets to help consumers better understand the value of such products, including the small amount per use, as well as the low viscosity and low foam performance of such products, which might be different from consumers' perception.

However, the COVID-19 outbreak significantly affected our ability to conduct such activities in the first quarter of 2020. As a result, sales of our Supreme branded concentrated liquid laundry detergents declined and we recognised sales return from our direct sales KAs and offline distributors of unsold products of approximately HK$149.8 million as a result of the COVID-19 outbreak which impacted our consolidated statements of comprehensive income for the six months ended 30 June 2020 which amounted to 6.1% of our revenue for the six months ended 30 June 2020. Among the sales returns, products with a sales amount of HK$95.7 million have been received as at 30 June 2020 and the corresponding trade receivables have been derecognised accordingly. Although the remaining products with a sales amount of HK$54.1 million have not been received by us as at 30 June 2020, as we expect such products will be returned to us based on our ongoing communication with our customers and the progress of the refund requests being processed, we have recognised refund liabilities of HK$53.5 million[1] in relation to these yet-to-be returned products as at 30 June 2020. Between 30 June 2020 and the Latest Practicable Date, products with a sales amount of HK$40.9 million have been returned. Based on our ongoing communication with our customers as at the Latest Practicable Date regarding their general inventory levels, trends of inventory movements and product return plans, and given we have only supplied significantly reduced amount of new Supreme branded products in 2020, we do not expect other major product returns related to the COVID-19 outbreak. Please refer to the sections headed "Business – Sales and Distribution Network – Offline Distributors – Key Terms of Agreements with Offline Distributors" and "Business – Sales and Distribution Network – Sales Return Policy" for details of the key contract terms. Please also refer to the sections headed "Financial Information – Significant Accounting Policies, Judgements and Estimates – Provision for sales return" and "Financial Information – Significant Accounting Policies, Judgements and Estimates – Refund liabilities" for our accounting judgement related to product returns and refund liabilities. We accepted such product returns from our customers primarily for commercial considerations, such as to maintain good business relationships with our customers. Based

[1] The refund liabilities as at 30 June 2020 were slightly different from the sales amount of the remaining products that have not been received by us as at the same date, due to the different exchange rates used in calculating the income statement line items and the balance sheet line items.

on information provided by our customers who were Independent Third Parties during the Track Record Period, we estimate that the approximate amount of the unsold inventories of Supreme branded concentrated liquid laundry detergents from our direct sales KAs and offline distributors as at the Latest Practicable Date would not exceed 5% of our revenue for the year ended 31 December 2019.

Additionally, reduced sales force may lead to further decrease in the sales of our products which rely heavily on onsite consumer education activities, such as the Supreme branded concentrated liquid laundry detergent, in the future. Our other products do not rely heavily on onsite consumer education. Please refer to the section headed "Business – Employees" for details. We cannot assure you that we will be successful in promoting our "Supreme (至尊)" brand or other concentrated liquid laundry detergent in the future. Furthermore, the consumers' preferences may shift away from concentrated liquid laundry detergent products to alternative laundry detergent products. If any of these events occurs, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We also intend to further expand our product portfolio and diversify our brand portfolios by launching new brands in the future. The launch of new product series or brands and entry into new product categories involve inherent risks such as those relating to incorrect judgements regarding consumer preferences, market demand and new brand images and pricing. Failure to successfully diversify our products and brands to adapt to the constantly changing consumer preferences and market trends may cause our profit margin to decrease as we will not be able to recoup the associated costs, jeopardise our competitive advantage and market share, and result in continued reliance on our existing products and brands. Any of these events could materially and adversely affect our business, financial condition, results of operations and prospects.

We operate in a competitive industry and if we are unable to compete effectively, our business, financial condition, results of operations and prospects would be materially and adversely affected.

The household care industry is highly competitive and is characterised by consumers' focus on quality and functions and frequent introduction of new products. We face strong competition from our existing competitors as well as new industry entrants, including domestic and international manufacturers of household care products. Some of these manufacturers are large-scale domestic players or multi-national conglomerates with ample business resources, financial resources and/or proven track record of developing and marketing household care products. We compete on the basis of brand awareness, product development, sales and distribution network, quality and marketing, as well as our ability to tailor our products to consumer preferences and market trends. In order to compete effectively, we may need to increase our marketing expenses from time to time, which may materially and adversely affect our financial condition and results of operations. If we are unable to maintain our competitive advantage and compete successfully against our competitors and any new industry entrant in the future, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our marketing activities may not be effective in attracting consumers.

We market our brands and products through various channels and methods such as (i) online marketing, including marketing events hosted on social media platforms and e-commerce platforms, (ii) offline marketing, primarily through our cleaning consultants at our retail points of sale, (iii) special events, including our sponsorship of nationally televised programmes and offline themed events that we organise from time to time, and (iv) commercial advertisements, including celebrity endorsement. These marketing activities may result in significant marketing expenses. In 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our selling and distribution expenses were HK$2,068.6 million, HK$2,548.0 million, HK$2,323.1 million, HK$1,030.7 million and HK$816.4 million, respectively. We cannot assure you that our marketing activities will enable us to successfully promote our brands and products or achieve our sales targets. The effectiveness of sales and marketing activities is relatively hard to predict and evaluate. Their effects may be delayed, resulting in a slower revenue growth which may not fully reflect the sales and marketing activities. If the results of our marketing activities fail to meet our expectation, or if we fail to conduct the marketing activities as planned, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We face risks related to health epidemics, infectious diseases and other outbreaks, including the recent COVID-19 outbreak.

Our business could be materially and adversely affected by the outbreaks of contagious diseases such as SARS, H5N1 avian influenza, human swine flu or most recently, COVID-19, or another epidemic or outbreak. The COVID-19 outbreak in early 2020 has already caused, and may continue to cause, an adverse and prolonged impact on both economic and social conditions in China, among other countries, and the exacerbation, continuance or reoccurrence of the COVID-19 outbreak in China could interrupt our business operations.

In an effort to contain the COVID-19 outbreak, the PRC government has imposed, among others, the following policies: (i) outside of Hubei Province, the Chinese New Year holidays were extended by various local governments for three to seven days, with workforce resuming work between 3 February and 10 February 2020, and (ii) in Hubei Province, travel restrictions have been gradually imposed in the entire province since 23 January 2020, with the workforce resuming work after 11 March 2020. Since 14 March 2020, lockdown has been gradually lifted in low-risk areas of Hubei Province. Since 23 March 2020, lockdown has been gradually lifted in Wuhan as well.

In response to the COVID-19 outbreak, on 26 January 2020, approximately 100 employees of our four production bases nationwide returned early to their posts after the Chinese New Year holidays and worked overtime to produce disinfectant products urgently needed to curb the outbreak, such as hand sanitisers and disinfectant liquids. Since 2 February 2020, we have resumed non-stop production for 24 hours per day.

Although we have not experienced major business disruptions as at the Latest Practicable Date, we may not have adequate and successful arrangements for labour, transportation and raw materials supply to sustain our production to meet customers' demand in case the COVID-19 outbreak continues. Additionally, although we typically do not accept returns of non-defective products, this practice may be subject to negotiation under the unusual circumstances of the COVID-19 outbreak. For example, in the first quarter of 2020, we accommodated returns of our Supreme branded concentrated liquid laundry detergent. Please refer to the subsection headed "Our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful." for details. Furthermore, although we have closely tracked the health status of our employees, we cannot assure you that there will not be confirmed COVID-19 cases among our employees, in which event the operations of the affected facilities might need to be suspended and our staff might need to be quarantined. Moreover, an outbreak may directly affect our suppliers' production capacity and the transportation network, which may in turn affect our ability to obtain safe and high-quality raw materials at reasonable costs, manufacture and ship our products, as well as cause temporary closure of our manufacturing facilities. In addition, an outbreak may also increase our trade receivables turnover time due to government-mandated shutdowns or general economic slowdown, which may lead to an increase in the expected credit loss on our trade receivables.

In addition, the outbreak of infectious diseases on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect China and other economies. For example, in March 2020, although the COVID-19 outbreak appeared to have been gradually subsided in the PRC, the virus has spread to many other parts of the world, including, but not limited to, Japan, South Korea, the United States and Europe. With the number of infected cases rising rapidly, many countries issued travel advices restricting travels to affected areas. Such policies have seriously undermined the local and cross-border business activities globally. The effect includes substantial decrease in the number of tourists, business exchange events and social functions and the slowdown of the economy in the affected countries and territories. The global financial markets have experienced extreme volatilities and the risk of the world suffering a recession has significantly increased. There is no assurance that the overall economic performance of the affected countries and territories will improve shortly even after the containment of the COVID-19 outbreak and the withdrawal of such policies and recommendations by the governments of China and other countries to combat the virus. The outbreak, exacerbation, continuance or reoccurrence of the COVID-19 pandemic or any other infectious disease could have a continuous adverse impact on the economies of the PRC and other parts of the world, which in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

Our sales and distribution partners may accumulate excessive or obsolescent inventory and any excessive build-up of inventory could affect the volume of future orders from our distributors.

We sell some of our products to our sales and distribution partners, who maintain their own inventories of our products. Our sales and distribution partners, and their sub-distributors and retailers in turn distribute our products to end-customers through various types of retail stores. We monitor the inventory information of our sales and distribution partners and their sub-distributors and retailers by conducting inventory-taking periodically and reviewing sales reports from our sales and distribution partners to understand their general inventory levels. However, we may not be able to accurately track the inventory level of our sales and distribution partners or to identify any excessive inventory build-up at various levels of our sales and distribution network. In addition, our sales and distribution network may be unable to sell adequate amounts of their inventories of our products in a given period to retailers, which may result in a build-up of inventory at our sales and distribution partners. We face higher risks of excessive or obsolescent inventories when we launch new products as the market reception to the products is uncertain. In such event, our sales and distribution partners may reduce future orders until their inventory levels realign with demand from their sub-distributors or retailers. We may also consider product return requests of slow-moving products on a case-by-case basis. Please refer to the sections headed "Business – Sales and Distribution Network – Offline Distributors – Key Terms of Agreements with Offline Distributors", "Business – Sales and Distribution Network – Direct Sales to Key Account Clients – Key Terms of Agreements with Direct Sales to Key Account Clients", and "Business – Sales and Distribution Network – Sales Return Policy" for details. For example, as a result of the COVID-19 outbreak, during the first quarter of 2020, sales of our fabric care products decreased compared with that during the same period in 2019, especially the sales of our Supreme branded concentrated liquid laundry detergent. As a result of the COVID-19 outbreak, we incurred sales returns of approximately HK$149.8 million related to such products for the six months ended 30 June 2020, of which products with sales amount of HK$95.7 million have been returned as at 30 June 2020 and the remaining products with sales amount of HK$54.1 million is expected to be returned subsequent to 30 June 2020. Certain e-commerce platforms are also entitled to return or exchange the products when (i) the inventory turnover is higher than a certain period of time as specified in the contract, or the e-commerce platforms are not able to sell such products within 90 days, and the products are in a resalable condition; or (ii) the small offline vendors engaged by the e-commerce platforms cannot sell our products within a period of time as specified in the contract. The reduction in future orders from our sales and distribution partners or returns of slow-moving products could have a material adverse impact on our sales to them and, accordingly, to our business, financial condition, results of operations and prospects.

We may not be successful in maintaining the growth and profitability of our business.

We cannot assure you that we can sustain profitability or avoid losses. We had experienced significant growth in revenue and profitability from 2017 to 2019: our revenue increased from HK$5,632.0 million in 2017 to HK$7,049.9 million in 2019, representing a CAGR of 11.9%, and our net profit increased from HK$86.2 million in 2017 to HK$1,079.6 million in 2019, representing a CAGR of 254.0%. Please refer to the section headed "Financial Information – Results of Operations" for details. However, we cannot assure you that we will be able to maintain our historical growth rates in future periods. Our revenue and profit growth may slow down or our revenue and profit may decline for a number of possible reasons, including decreasing consumer spending, increasing competition from other domestic and international manufacturers of household care products, slower growth in China's household care products industry, supply chain and logistical bottlenecks, increase in the cost of raw materials, the slowdown in China's economic growth and other changes in government policies or general economic conditions. For example, our revenue decreased by HK$284.5 million, or 10.5%, from HK$2,720.4 million for the six months ended 30 June 2019 to HK$2,435.9 million for the six months ended 30 June 2020, due to impact of the COVID-19 outbreak. If our growth rate declines, investors' perceptions of our business and prospects may be adversely affected and the market price of our Shares could decline.

In addition, our profitability depends on our ability to control costs and operating expenses, which may increase as our business expands and negatively impact our short-term profitability. Please refer to the section headed "Financial Information – Cost of raw materials" for details. If we fail to increase sales, or if our cost of sales and operating expenses grow faster than our sales, our business, financial condition and results of operations may be negatively affected.

Any quality issues related to our products or the household care industry could result in a loss of customers and sales and, if related to our products, may subject us to product liability claims.

The success of our business depends on our ability to consistently deliver products with high quality and reliability. Maintaining consistent product quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees and other third parties involved in our operations adhere to those quality control policies and guidelines. Although we implement certain quality control standards and measures throughout our entire manufacturing process (please refer to the section headed "Business – Quality Control" for details), we cannot assure you that our quality control systems will prove to be effective at all times, or that we can identify any defects in our quality control systems in a timely manner. If the quality of any of our products deteriorates for any reason, or if the consumers do not perceive our products to be effective as they claim to be, we may be faced with returns or cancellations of orders and customer complaints. Additionally, our products, as are most household care products, contain a number of ingredients, some of which or the combination of which may have actual or perceived unknown adverse effects on the environment or human health. As a result, there may be, from time to time, complaints or concerns among consumers about certain of our products or certain household care products in general, which in turn could jeopardise customers' confidence in our products.

Moreover, if any defect or adverse effect of our products or certain household care products in general results in property damage or personal injury, we may suffer from product liability claims or product recalls, resulting in financial and reputational damages. These legal claims may be expensive for us to defend even if we prevail in the end. Although we have purchased product liability insurance, coverage may be insufficient. Please refer to the subsection headed "Our insurance coverage may not be sufficient to cover all of our potential losses." for details. Furthermore, if there is a pattern of quality issues in the household care industry in general, consumers' perception of, and willingness to purchase, our products may also be negatively affected, regardless of whether such quality issues relate to us. Any quality issues related to our products or the household care industry, actual or perceived, may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Changes in supply, quality and costs of raw materials, energy, transportation and other necessary supplies or services may impact our business, financial condition and results of operations.

Our raw materials primarily consist of chemicals and packaging materials. Cost of raw materials and packaging materials represents a substantial portion of our total cost of sales. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, cost of raw materials represented 79.5%, 90.6%, 81.5%, 76.4% and 93.3%, respectively of our total cost of sales. We are subject to fluctuation in the prices of raw materials and packaging materials, as well as energy, transportation and other necessary supplies or services, due to factors beyond our control, such as inflation, fluctuations in currency exchange rates, changes in weather or changes in the supply and demand for such related raw materials. We may not be able to offset price increases by raising the prices of our products, in which case our profit margin will decrease, and our financial condition and results of operations may be materially and adversely affected. Additionally, we may lose our competitive advantage if the prices of our products rise significantly. This in turn could result in loss of sales and customers. In both cases, our business, financial condition and results of operations may be materially and adversely affected.

Our efforts in developing and investing in technology may not generate expected outcomes.

We have been devoted to continuously developing cleaning technologies to be used in our products. As at 30 June 2020, our research and development team consisted of 157 staff. However, we cannot assure you that our future efforts in developing cleaning technologies will be successful, in which case, our products may lose their competitive advantage. In addition, we also cannot assure you that the cleaning technologies we developed will be well received by the consumers, in which case our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, we rely on technology in many aspects of our operations. For example, we use big data and AI in various aspects of our front- and back-office operations and management. Please refer to the section headed "Business – Information Technology Systems" for details. Although we continuously upgrade our technologies to stay abreast with the latest industry developments, we cannot assure you that our investment on the technologies could produce the expected outcomes, in which case our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our business operations may be subject to seasonality.

Our results of operations are affected by seasonal fluctuations in demand for our products. We usually experience higher sales volume in the time leading to the Chinese New Year holidays, as well as around the few major online shopping holidays in China, such as the 618 Shopping Festival on 18 June and Singles' Day on 11 November. Moreover, sales of certain products are subject to seasonality by nature. For example, sales of down jacket cleansers are generally higher in winter. Accordingly, various aspects of our operations, including sales, production capacity and utilisation, working capital and operating cashflow, are exposed to the risks associated with seasonal fluctuations in demand for our products pattern, and our quarterly or half year results may not reflect our full year results.

We may encounter difficulties in maintaining, expanding or optimising our sales and distribution network.

We rely on our online channels, key account clients and offline distributors in selling our products. Their purchases accounted for a significant portion of our total revenue. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, 33.1%, 40.2%, 47.2%, 57.4% and 58.8% of our total revenue were generated from sales through online channels, respectively; 12.5%, 12.1%, 14.1%, 11.1% and 7.7% of our total revenue were generated from direct sales to key account clients, respectively; and 54.4%, 47.7%, 38.7%, 31.5% and 33.5% of our total revenue, respectively, were generated from our sales to offline distributors during the same periods. The competition for high-quality sales and distribution partners is intense in our industry. We may not be able to offer more favourable arrangements to our sales and distribution partners as compared to those offered by our competitors who may be larger and have better-funded sales campaigns. We select and regularly evaluate our sales and distribution partners. Based on our evaluation, we may terminate relationships with certain sales and distribution partners and engage new ones that are in line with our business strategies. Finding replacement sales and distribution partners may be time-consuming and any resulting delay may be disruptive and costly to our business. For example, in 2015, we did not successfully renew our contracts with certain hypermarkets as we failed to reach mutually acceptable commercial terms with them, which negatively affected our financial performance prior to the Track Record Period. Although we subsequently resumed cooperation with these hypermarkets, we cannot assure you that we will always be able to maintain our relationship with the existing sales and distribution partners or develop relationship with replacement partners.

As part of our business growth strategies, we also consistently seek to expand and optimise our sales and distribution network by exploring new distribution channels, engaging new sales and distribution partners and entering into new geographical regions. However, the success of our expansion plan is subject to, among other things, the following factors:

- the existence and availability of suitable distribution channels or geographical regions and locations for expansion of our distribution and retail network;

- our ability to negotiate favourable cooperation terms with our sales and distribution partners;

- the availability of adequate management and financial resources;

- the availability of suitable sales and distribution partners, especially in lower-tier cities where we rely on the in-depth knowledge of our sales and distribution partners to penetrate into the local market;

- our ability to hire, train and retain skilled personnel; and

- the adaptation of our logistics and other operational and management systems to an expanded distribution and retail network.

Accordingly, if we encounter difficulties in maintaining, expanding or optimising our sales and distribution network in future, our business, financial condition and results of operations and prospects may be materially and adversely affected.

We rely on a limited number of key sales and distribution partners to sell our products.

We rely on a limited number of key sales and distribution partners, including various online e-commerce platforms, to sell a substantial portion of our products. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, sales through these e-commerce platforms represented 33.1%, 40.2%, 47.2%, 57.4% and 58.8%, respectively, of our total sales. As such, we may be subject to concentration and counterparty risks from these key sales and distribution partners. We cannot assure you that we will be able to maintain our relationships with our key sales and distribution partners in the future. The key sales and distribution partners are not obliged in any way to continue to cooperate with us at a level in the future that is similar to that in the past or at all. Should any of the key sales and distribution partners reduce substantially the demands for our products or terminate the business relationship with us entirely or fails to settle their payments on time, we may not be able to secure new business from other partners or customers to compensate for such reduction in sales demand or loss of businesses. If our relationship with these key sales and distribution partners deteriorates, or if there is a perceived decline in the quality of service or general reputation of these business partners among consumers, we cannot assure you that our sales through these key sales and distribution partners will not decrease accordingly. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We rely on independent offline distributors over whom we have limited control.

During the Track Record Period, a substantial portion of our products were sold through offline distributors. The performance of our offline distributors and their ability to sell our products, uphold our brand, expand their businesses and their sales network are crucial to the future growth of our business and may directly affect our sales volume and profitability. As at 30 June 2020, we had entered into agreements with 1,403 offline distributors. Due to the large number of our offline distributors and the sheer size of the market, it is difficult to monitor their practices. Although we have (1) established a comprehensive management system to monitor our offline distributors' sales performance and (2) adopted measures to avoid potential competition among our offline distributors, including providing recommended retail sales price and taking geographic coverage into account when selecting offline distributors, we have limited control over daily business activities of our distributors and our control over the ultimate retail sales may be limited. Non-compliance by any of our distributors with the relevant distribution agreements or our sales policies may adversely affect the overall sales of our products and our ability to implement development strategies. In addition, although we have contractual relationships with our offline distributors, we generally do not have direct contractual relationships with sub-distributors, except for the short-term tripartite rebate agreements among our offline distributors, certain sub-distributors and us that we may enter into. Please refer to the section headed "Business – Sales and Distribution Network – Offline Distributors – Sub-distributors" for details. Our control over the ultimate retail sales of our products is limited. We cannot assure you that the sub-distributors will at all times comply with our sales policies or that they will not compete with each other for market share in respect of our products. If any of the sub-distributors fail to distribute our products to their customers in a timely manner, overstock, or carry out actions which are inconsistent with our business strategy, it may affect our future sales. This may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

We do not usually enter into long-term arrangements with our suppliers and sales and distribution partners, which could result in significant fluctuations and interruptions to our business.

We do not usually enter into long-term arrangements with our suppliers and sales and distribution partners. Our contracts with our suppliers and sales and distribution partners usually carry terms of one to two years. We assess each contract at the end of the contractual term to determine whether to renew the contract based on performance or business need; renewal of contracts is subject to the mutual consent and approval and we cannot ensure that the suppliers and sales and distribution partners that we are satisfied with will agree to renew. If we are not able to maintain long-term relationships with our current suppliers and sales and distribution partners, supply from our suppliers and sale to our sales and distribution partners may be disrupted and our business, financial condition, results of operations and prospects will be materially and adversely affected.

We cannot assure you that our current or future agreements, if any, with our major suppliers and sales and distribution partners can be negotiated on terms and prices equivalent to or more favourable than current terms and prices. Our sales and operating income could be materially and adversely affected if there are any material changes from our key suppliers' or sales and distribution partners' business plans or markets, which could in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Future changes in the online marketing industry and consumer behavioural pattern may adversely affect our sales through online channels.

Our online channels include (i) sales to major e-commerce platforms in China and various emerging online sales channels, such as social e-commerce platforms, fresh foods e-commerce platforms and the online procurement systems of corporations, and (ii) sales to consumers through (a) our online proprietary stores on various major e-commerce platforms, social media and our self-developed mobile apps, and (b) third party online stores. The future growth of our operations depends on our ability to continue attracting online customers and gaining new purchases from various online channels, as well as our ability to retain visitors to our websites and social media platforms. We believe that maintaining a strong online presence helps improve our brand visibility and awareness, especially in regions where we have yet to establish a physical presence. However, we may not be successful in any of these respects. In addition to our ability to maintain relationships with various online channels, the success of these channels also depends on a number of factors relating to the online marketing industry and consumer behavioural pattern, including, without limitation:

- consumer traffic on e-commerce platforms generally and our ability to increase the consumer traffic on our online stores and on the e-commerce platforms we engage;

- our ability to respond to the changes in internet and mobile penetration, as well as the online marketing industry in China;
- influence of KOLs on consumer preferences and our cooperation with the KOLs;
- the reliability of the independent e-commerce platforms; and
- the availability of the relevant network infrastructure, such as online or mobile payment platforms.

Further, if privacy concerns or regulatory restrictions prevent us from collecting data or using data we collected in the course of our business to analyse consumer preference or if there are any defects in our data analytic model, our prediction on consumer behaviour may not be accurate. With regard to the accuracy of our data, we rely on the information provided by our online customers as well as information obtained by monitoring our visitors' browsing behaviour. We do not verify the authenticity of all such data. If the information that we collect is materially inaccurate or false, this may also adversely affect our prediction on market trends as well as our business implementation.

We cannot assure you that we can stay abreast of constantly changing consumer behavioural pattern and preferences and anticipate product trends that will appeal to existing and potential online customers. Accordingly, a decline in the popularity of online shopping in general or our failure to identify and respond to trends and consumer requirements in the online channels could result in decreased number of online customers and reduced attractiveness of our online stores, social media and our self-developed mobile apps. This in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to integrate and manage our multiple sales and distribution channels may adversely affect our business and prospects.

During the Track Record Period, we sold our products through: (i) online channels, which include (1) sales to major e-commerce platforms in China and various emerging online sales channels, such as social e-commerce platforms, fresh foods e-commerce platforms and the online procurement systems of corporations, and (2) sales to consumers through (a) our online proprietary stores on various major e-commerce platforms, social media platform and our self-developed mobile apps, and (b) third party online stores, (ii) direct sales to key account clients, including hypermarkets and supermarkets, and (iii) offline distributors that resell our products to hypermarkets, supermarkets, convenience stores, gas stations, certain small vendors in the residential communities of smaller cities and certain corporations that make procurement for resale or internal use. We cannot assure you that these measures will be effective due, in part, to our limited control over our online channels, key account clients and offline distributors. Any adverse competition or cannibalisation among our sales and distribution channels will have a negative impact on the stability of our sales and distribution network and retail prices of our products, which may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Inadequate production capacity could hinder our capabilities to satisfy customers' demand and growth prospect.

Currently, we have four production bases in Guangzhou, Tianjin, Kunshan and Chongqing. The utilisation rates of all of our production lines exceed the industry average utilisation rates and limit our production capacity.

In the peak season of our production, the utilisation rates of our production lines are much higher than the industry average utilisation rates. Please refer to the sections headed "Business – Our Production Operations – Production Planning" and "Business – Our Production Operations – Capacity Expansion" for details. The COVID-19 outbreak in China has increased the demand for our disinfectant products. We cannot assure you that our production capacity will be adequate to meet the overall market demand for our products, or specific demands for our disinfectant products. Please also refer to the subsection headed "We face risks related to health epidemics, infectious diseases and other outbreaks, including the recent COVID-19 outbreak." for details. Similarly, we cannot assure you that we will be able to meet the overall demand for our products or specific demand for any of our products in particular, should the production in any of our production facilities be disrupted in the future, especially during the period when we experience high demand of some or all of our products. Please refer to the subsection headed "We may experience disruptions and delays in our production." for details. Under these circumstances, our business, financial condition, results of operations and prospects may be materially and adversely affected.

In the future, as our business grows, we may need to expand our production capacity by various measures including construction of new premises. We cannot assure you that our new premises will be ready in time or our production capacity will otherwise be successfully expanded. A number of factors could delay our expansion plan or increase our costs, including:

- failure to raise sufficient funds to establish and maintain working capital to operate our business at the new premises;
- failure to obtain environmental and regulatory approvals, permits or licences from the relevant government authorities in a timely manner;
- failure to find new sites for our production facilities;
- shortage or late delivery of building materials and production equipment resulting in late delivery of the premises for our use and occupancy;
- various factors affecting construction progress and resulting in late delivery of the premises for our use and occupancy; and
- technological changes, capacity expansion or other changes to our plans for the new premises necessitated by changes in market conditions.

Failure to expand our production capacity could hinder our capacity to satisfy customers' demand and growth prospect. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for construction of new premises and maintenance of expanded production capacity. The delay or cancellation of our expansion could also subject us to disputes with various counterparties, including but not limited to, general contractors and sub-contractors, equipment suppliers, financiers and relevant government authorities. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may experience disruptions and delays in our production.

We currently manufacture our products at our four production bases located in Guangzhou, Tianjin, Kunshan and Chongqing. Natural or man-made disasters, such as adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics, or other interruptions such as power and water suspension, may cause significant damage to our production facilities, which could be costly and time-consuming to reinstate and could cause significant disruptions to our operations. We may incur additional costs and may experience a disruption in the supply of products until the affected production facilities become available and operational.

Additionally, we rely on the timely supply of our raw materials, including chemicals and packaging materials, in order to carry out our production plans as scheduled. Any delays or disruptions in raw material supplies from our suppliers, may have a material and adverse impact on our ability to meet our contractual obligations to customers. In addition, any natural or man-made disasters or other unanticipated catastrophic events, including adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics could disrupt our transportation channels and impair the operations of our suppliers, and impede our ability to manufacture and deliver our products to customers in a timely manner. For example, incidents such as the COVID-19 outbreak in the first quarter of 2020 may put extra strain on our supply chain. Please refer to the subsection headed "We face risks related to health epidemics, infectious diseases and other outbreaks, including the recent COVID-19 outbreak." for details of the impact of the COVID-19 outbreak on our production bases and supply chain. Although we have not experienced major production disruptions during the Track Record Period and as at the Latest Practicable Date, any disruption or delay in our production in the future could have an adverse impact on our ability to produce sufficient quantities of products, which could in turn impair our ability to meet the needs of our customers. In such cases, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We are subject to risks relating to the warehousing of the products we sell.

Before delivery of products to our stores and third party distributors, we temporarily store them in warehouses owned by ourselves or our third party logistics service providers. We maintain property-related insurance that covers financial losses we may sustain as a result of accidents, including fires. However, if such accidents, including fires, were to occur, causing damages to the products we sell or our warehouses, our ability to supply products to our stores and third party distributors could be adversely affected. The occurrence of any of these incidents could also require us to make significant unanticipated capital expenditures and delay our delivery of products. Lost sales or increased costs that we may incur due to such disruption of operations and delay in delivery may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of end-customers. If any one or more of the above risks were to materialise, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

Maintaining optimal inventory levels is critical to the success of our business. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the balance of our inventory accounted for approximately 23.7%, 23.9%, 12.0% and 17.1%, respectively, of our total current assets. In 2017, 2018 and 2019 and the six months ended

30 June 2020, our inventory turnover days were 96.8 days, 73.1 days, 69.5 days and 85.1 days, respectively. We are exposed to inventory risks as a result of a variety of factors beyond our control, including changing consumption trends and customer preferences and launches of competing products. Moreover, for stocking purposes, we generally estimate demand for the products we sell ahead of the actual time of sale. We cannot assure you that we can accurately predict these trends and events and maintain adequate levels of inventory at all times. An unexpected decrease in the market demand for the products we sell could lead to excessive or obsolescent inventory, and we may be forced to offer discounts or conduct promotional activities to dispose of slow-moving inventory, which in turn may materially and adversely affect our financial condition and results of operations. On the other hand, inventory under-stock may cause us to lose sales and our business, financial condition, results of operations and prospects may also be materially and adversely affected.

Delivery delays, poor handling by third party logistics providers and courier companies or disruptions in the transportation network may adversely affect our business, financial condition, results of operations and prospects.

We outsource our product delivery to independent third party logistics service providers. As at 31 December 2019, we engaged 25 logistics service providers. Disputes with, or the termination of our contractual relationships with, one or more of our logistics service providers or courier companies could result in delayed delivery of products, increased costs or customers dissatisfaction. We cannot assure you that we can continue or extend relationships with our current logistics service providers or courier companies on terms and prices acceptable to us, or at all. We also cannot assure you that we will be able to establish relationships with new logistics service providers or courier companies to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics service providers or courier companies, we may experience increases in our costs, or disruption to our ability to offer products in sufficient quantities on a timely basis or at prices acceptable to our end-customers.

As we do not have any direct control over these logistics service providers or courier companies, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products resulting from poor handling or any other issue, we may lose customers and sales and our brand image may be tarnished. Moreover, delays in delivery due to disruptions on the transportation network, such as transportation shortages, work stoppages or infrastructure congestion, could adversely impact our ability to timely deliver the products we sell to our sales and distribution partners and consumers, which could in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Our employees are subject to risks of serious injury or death caused by the use of chemical products, manufacturing equipment and machinery.

We use chemical products and heavy machinery and equipment in our productions, which are potentially dangerous and may cause industrial accidents and personal injury to our employees. Safety trainings we provide to our employees may not be effective to prevent accidents. Any significant accidents caused by the use of equipment or machinery could interrupt our production, damage our corporate image and result in legal and regulatory liabilities. Although we have maintained employees' accident insurance and have put in place work-related injury insurance and medical insurance, the insurance coverage may be inadequate to offset losses arising from claims related to such accidents. In addition, potential industrial accidents leading to significant property loss, personal injury or death may subject us to claims and lawsuits, and we may be liable for medical expenses and other payments to the employees and their families, as well as fines or penalties. As a result, our reputation, brand, business, financial condition, results of operations and prospects may be materially and adversely affected.

We depend on some key personnel and our ability to attract and retain talented personnel for our operations.

Our future success depends heavily on the continuing services of our senior executives, talented personnel and other key employees, including our chairman, Ms. Pan, our chief executive officer, Mr. Luo, and other senior management team. Please refer to the section headed “Directors and Senior Management” for details. Our key personnel’s expertise in business strategies, product design and development, business operations, sales and marketing, regulatory compliance and relationships with our customers and suppliers are crucial to us. We do not maintain key man insurance for any of our key personnel. If one or more of our senior executives or other key employees are unable or unwilling to continue in their present positions, we may not be able to replace them promptly or at all, which may severely disrupt our business and affect our results of operations and future prospects. Moreover, as our industry is characterised by high demand and intense competition for talented personnel, we may not be able to attract or retain highly skilled employees or key personnel. We cannot assure you that our key personnel will not join a competitor or form a competing business or will honour the non-compete agreement in their employment contracts. The competition for qualified personnel in the PRC may drive up employee compensation expenses, which could materially and adversely affect our financial condition and results of operations.

We may experience increase in labour costs, shortage of labour or deterioration in labour relations.

Labour costs have been increasing and may continue to rise in the future. Labour cost increases may cause our production costs to increase and we may not be able to pass on such increase to our customers. We also cannot assure you that we will not experience any shortage of labour. Any such shortage could hinder our ability to maintain our production schedules and maintain or expand our business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We seek to maintain favourable labour relations as we believe that our long-term growth depends on the expertise, experience, and development of our employees. We cannot assure you that we will not have any labour disputes in the future. The deterioration of our labour relations could result in disputes, strikes, claims, legal proceedings and reputational damage, labour shortages that disrupt our business operations, as well as loss of experience, know-how and trade secrets.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, customers, distributors, suppliers or other third parties may have a material adverse effect on our business.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, customers, distributors, suppliers or other third parties that could subject us to liabilities, fines and other penalties imposed by government authorities and negative publicity. Although we have implemented internal controls and policies with regard to the review and approval of merchant accounts, sales activities, interactions with business partners and government officials and other relevant matters, there can be no assurance that our controls and policies will prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our employees, customers, distributors, suppliers or other third parties, including, but not limited to, those in violation of anti-corruption or anti-bribery laws, could subject us to negative publicity that could severely damage our brand and reputation and, if conducted by our employees, could further subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, customers, distributors, suppliers or other third parties could materially and adversely affect our business, financial condition, results of operations and prospects.

Our risk management and internal control systems may not be adequate or effective.

We have designed and implemented risk management and internal control systems comprising organisational framework policies and procedures, financial reporting processes, compliance rules, and risk management measures that we believe are appropriate for our business operations. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. Please refer to the section headed "Business – Risk Management and Internal Control Systems" for further information on our internal control policies. Since our risk management and internal control systems depend on implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We derive a significant portion of our revenue from fabric care products.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, 87.4%, 87.4%, 87.6%, 86.9% and 69.0%, respectively, of our revenue was derived from our fabric care products, primarily including liquid laundry detergents with different specialities as well as laundry aids such as fabric softener and collar cleaners. In light of the continuously changing consumer preferences and market trends, we cannot assure you that sales of our fabric care products will increase or remain at their current levels in the future. If our fabric care products fall out of favour and we cannot introduce replacement products in a timely manner, our sales and profit may decrease significantly and accordingly, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Any negative publicity regarding our Company, Directors, employees, spokespersons or products, regardless of its veracity, could adversely affect our business.

As an established brand, our image is sensitive to the public's perception of us as a business in entirety, which includes not only the quality, safety and competitiveness of our products, but also our corporate management and culture. We cannot guarantee that no one will, intentionally or incidentally, distribute information about us, especially those regarding the quality and safety of our products or our internal management matters, that may result in negative perception of us by the public. In addition, negative publicity regarding our spokespersons may result in negative perception of us by the public even if the negative publicity does not involve our products at all. Although we had promptly taken clarification or rectification measures when we faced negative publicity in the past, we cannot assure you that such measures will always be effective in the future. Any negative publicity about our Company, Directors, employees, spokespersons or products, regardless of veracity, could lead to potential loss of consumer confidence or difficulty in retaining or recruiting talents that are essential to our business operations. As a result, our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

We may require additional funding to finance our operations, which may not be available on favourable terms or at all.

We currently fund our operations principally by cash generated from our business operations and bank borrowings. To finance our ongoing operations, existing and future capital expenditure requirements, investment plans and other funding requirements, we may need to obtain adequate financing from external sources to supplement our internal sources of liquidity in the future. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including, among other things:

- regulatory approvals to obtain financing in the domestic or international markets;
- our financial condition, results of operations, cash flows and credit history;
- the condition of the global and domestic financial markets; and
- changes in the PRC monetary policy with respect to bank interest rates and lending practices and conditions.

We had no indebtedness, mortgages or charges, did not issue any debt securities and did not utilise any bank facilities, except as disclosed in the section headed "Financial Information – Indebtedness". However, we cannot assure you that we will be able to obtain bank loans or renew existing credit facilities in the future on favourable terms, or at all, or that any fluctuation in interest rates will not affect our ability to fund our operations and planned developments. Our effort to raise equity capital, if any, may result in the dilution of shareholding by our existing Shareholders. If adequate funding is not available to us on favourable terms, or at all, we may not be able to fund our existing operations and develop or expand our business, and therefore our business, financial condition, results of operations and prospects may be materially and adversely affected.

We recorded net current liabilities during the Track Record Period.

We recorded net current liabilities of HK$301.0 million as at 31 December 2017, primarily due to: (i) our short-term borrowings to finance our construction of production facilities and expansion of existing facilities, which are generally categorised as non-current property, plant and equipment, and (ii) certain trade and bills payables and accruals and other payables as we were expanding our operations. Please refer to the section headed "Financial Information – Liquidity and Capital Resources – Net current assets/liabilities" for details. Having net current liabilities could constrain our operational flexibility and could adversely affect our ability to expand our business. We cannot assure you that we will continue to be able to obtain short-term bank borrowings in China. In the event that the commercial banks providing existing banking and credit facilities do not continue to extend similar or more favourable facilities to us and we fail to obtain alternative banking and credit facilities on reasonable terms, or at all, our business, results of operations and prospects may be adversely affected.

We are exposed to credit risks related to our trade and bills receivables.

We enter into a wide variety of contractual arrangements with different counterparties in the ordinary course of our business. We generally grant credit terms ranging from 30 to 60 days to e-commerce platforms and direct sales KAs. Additionally, we may, from time to time, accommodate requests to extend credit terms from certain major customers. We generally do not grant credit terms to offline distributors. However, we may extend credit to certain creditworthy offline distributors for special occasions such as their year-end planning for the new year's sales event. Our net trade and bills receivables as at 31 December 2017 and 2018 and 2019 and 30 June 2020 amounted to HK$928.6 million, HK$1,142.9 million, HK$1,750.0 million and HK$1,123.0 million, respectively. Our trade and bills receivables turnover days for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 were 57.0, 55.9, 74.9 days and 107.3 days, respectively. As at 30 June 2020, our trade and bills receivables aged over 180 days were HK$208.3 million, as compared to HK$12.3 million as at 31 December 2019. For the years ended 31 December 2017 and 2019 and the six months ended 30 June 2020, we recorded net provision for impairment loss of financial assets related to our trade and bills receivables of HK$16.1 million, HK$1.9 million and HK$6.5 million, respectively. For the year ended 31 December 2018 and the six months ended 30 June 2019, we recorded net reversal of impairment loss of financial assets related to our trade and bills receivables of HK$6.2 million and HK$0.2 million, respectively. The COVID-19 outbreak may increase our receivables turnover days for the first quarter of 2020, which may expose us to increased credit risk from counterparties. Our senior management regularly reviews the recoverability of overdue balances for trade and bills receivables and may provide for impairment when appropriate. As there is limited financial or public information on many of our counterparties, we cannot assure you that all of our counterparties are creditworthy and reputable and will not default on us in the future, despite our efforts to conduct credit assessments on them. As a result, we are exposed to risks that our counterparties may fail to fulfil their obligations to us under our contracts.

Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third parties.

We rely on intellectual property laws in the PRC and other jurisdictions to protect our brands and trademarks. During the Track Record Period, we have been subject to counterfeiting and imitation by external parties that manufactured and marketed their products under "copycat" brand names and trademarks that highly resembled ours. We cannot assure you that such counterfeiting or imitation will not occur in the future or, if it does occur, that we will be able to detect or address the problem effectively. Any occurrence of counterfeiting or imitation of our products or other breaches of our intellectual property rights could adversely affect our reputation and brand name, and lead to loss of consumer confidence in our brand. Any litigation to prosecute infringements upon our rights and products will be expensive and will divert the management's attention as well as other resources away from our business. Although we maintain limited insurance against litigation costs, coverage may be insufficient and we may have to bear the uninsured costs arising from such litigation to the extent we are unable to recover them from the relevant parties. Moreover, if there are any concerns about the quality of the counterfeit products and consumers are not fully able to distinguish such counterfeit products from our products, our reputation and brand value may be impaired. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to adequately protect our intellectual property rights, which could harm the value of our brand.

We rely heavily on a combination of patents, trademarks, domain name registrations and confidentiality agreements to protect our intellectual property rights. We also possess a significant number of trade secrets in relation to proprietary product formulations, technologies and production processes, which we believe are material to our operations and which are not covered by patents. We rely on various protective measures to safeguard such unpatented proprietary information, such as regularly monitoring our intellectual property rights through our legal department and entering into confidentiality agreements with our relevant employees and third parties. Please refer to the section headed "Business – Intellectual Property" for details. However, we cannot assure you that our protective measures will be sufficient to protect our trade secrets, know-how or other proprietary information against any unauthorised use, misappropriation or disclosure. We cannot guarantee that there will not be further infringements on our intellectual property rights in future. We also cannot guarantee that we will be successful in enforcing confidentiality provisions or undertaking legal proceedings in the event that there is any unauthorised use of our intellectual property. If we fail to effectively protect our intellectual property from inappropriate or unauthorised use by third parties in ways that adversely affect our brand name, our reputation could suffer, which in turn could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Third parties may assert or claim that we have infringed their intellectual property rights.

Intellectual property rights, such as trademarks and patents, are important in the consumer products industry as they protect brand images, product formulations and other valuable rights. Our competitors or other third parties may have intellectual property rights and interests which could potentially conflict with ours. If any trademark or patent infringement or other intellectual property claims against us are successful, we may not have a legal right to continue to develop, produce, use or sell products that are adjudicated to have infringed third parties' intellectual property rights. We may be legally required to expend significant resources to redesign our products so that they do not infringe third parties' intellectual property rights or we may be required to obtain relevant licences to avoid further infringements. Intellectual property litigation against us could significantly disrupt our business, divert our management's attention or consume much of our financial resources. Additionally, we may be subject to infringement or misappropriation claims by third parties in other aspects of our day-to-day operations, such as our usage of images, fonts or music in our advertising and promotional activities, as well as computer software. Any intellectual property disputes could have a material adverse effect on our business, financial condition, results of operations and prospects.

We consider the formulae of producing our products to be our trade secrets, and our ability to compete could be harmed if we fail to maintain the confidentiality of these trade secrets.

Our products are produced using our proprietary formulae. We have kept these formulae as our trade secrets. We have not made any applications for patents for our formulae because patent registration in the PRC involves publication of the relevant details of the subject of the patent as we believe that such disclosure would provide our competitors with details of our formulae and would, as a result, enable them to imitate our production methods or refine their own production accordingly. We have generally included confidentiality clauses in the employment contracts of our relevant personnel (such as key management and R&D personnel) and have set forth employees' obligation to keep our trade secrets confidential in our code of conduct for employees. However, we cannot assure you that our proprietary formulae will not be disclosed to or discovered by a competitor or another third party or products using formulae will not be developed or marketed by such persons. After obtaining the same or similar formulae, such person may seek intellectual property rights and enjoin us from producing, promoting, selling or using products based on these formulae. We may not have adequate legal remedies to prevent third parties from producing or marketing products based on the same or similar formulae. Consequently, we may lose our market share, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be involved in claims, disputes and legal proceedings in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labour disputes, antitrust, infringement of intellectual property rights and environmental matters. In particular, the manufacture and sales of our products subjects us to potential product liability claims if our products are proved to have failed to meet relevant health and safety or other laws and regulations, or cause or are alleged to have caused illness or health issues. If we do not succeed in defending against any product liability claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, may materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

We are subject to a wide variety of regulations, and failure to comply with such regulations or control the associated costs may harm our business.

We are required to comply with various and extensive environmental, health, hygiene and safety and labour laws and regulations promulgated by the relevant PRC government authorities. Our failure to comply with these laws and regulations will result in penalties, fines, administrative proceedings, litigations and suspension or revocation of our licences or permits to conduct our business. Considering the complexity and magnitude of the laws and regulations, compliance with them may be burdensome or require a significant amount of financial or other resources. These laws and regulations change from time to time and thus we cannot give assurance that the relevant PRC government authorities will not impose any additional or more stringent laws or regulations, compliance with which may cause us to incur significantly increased costs, which we may not be able to pass on to our customers. Failure to comply with the relevant regulations and control the associated costs may materially and adversely affect our business, financial condition, results of operations and prospects.

We are required to obtain and maintain various licences and permits, the failure of which may have a material adverse effect on us.

In accordance with PRC laws, we are required to obtain and maintain various licences and permits for the production of our products. Please refer to the section headed "Business – Licences, Approvals and Permits" for details. We are required to comply with applicable environmental protection requirements, hygiene quality standard and production safety standards in relation to our operation and production process. We are subject to regular and random inspections in order to comply with the rules and regulations of the relevant public health authority and quality and technology supervision administration. Failure to pass these inspections and to comply with the licensing or other regulatory requirements may lead to termination of production and sales of our products, confiscation of the associated income, withdrawal of business licence, or potentially criminal liabilities, which will materially and adversely affect our reputation, as well as our business, financial condition, results of operations and prospects.

Failure to comply with applicable advertising laws and regulations when promoting our products may subject us to potential risks and penalties.

We advertise our brands and products through various channels, including television, billboards and posters, and news and magazines, which is subject to the applicable PRC laws and regulations. For example, from time to time, we may be scrutinised for the source of certain data or choice of certain words used in our advertising. If our employees or the third party service providers we engage fail to comply with such laws and regulations, or the relevant government authorities, who have broad discretions in interpreting the laws and regulations, ultimately take a view that is inconsistent with our understanding in the process of administrative law enforcement, we may be subject to potential risks and penalties. We cannot ensure that inadvertent non-compliance will not happen in the future, which may subject us to further penalties imposed by the relevant authorities and may further damage our brand image and reputation. We may need to increase compliance costs in the future to comply with applicable advertising laws and regulations. Accordingly, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be subject to fines for failure to register some of our lease agreements.

As at the Latest Practicable Date, we leased 125 properties in the PRC, 79 of which had yet to be registered with the relevant government authorities in accordance with PRC laws and regulations. As advised by our PRC legal advisers, the lack of registration of a lease will not affect its legality, validity or enforceability. However, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each of such non-registered leases should we fail to register the lease agreements upon request by the relevant authority, which may materially and adversely affect our business, financial condition, results of operations and prospects. Please refer to the section headed "Business – Properties – Leased Properties" for details.

As at the Latest Practicable Date, the lessors of some of our leased properties had failed to provide valid title certificates. For certain leased properties, the lessors had not leased such properties in accordance with the permitted usage as specified on title certificates. Any dispute or claim in relation to these properties could result in us having to relocate and/or obtain alternative accommodation for certain of our employees. If our right to use these properties is challenged, we would need to seek alternative properties on short notice and incur relocation costs, and there is no guarantee that we would be able to find suitable alternative properties on reasonable commercial terms, or at all. Any relocation could lead to disruptions to our operations and may have an adverse effect on our business, financial condition, results of operations and prospects.

Changes in existing laws, regulations and policies may cause us to incur additional compliance costs.

We are subject to various regulations relating to product safety and general consumer protection in the PRC. From time to time, government authorities may modify such laws and regulations to promulgate higher standards of product quality and safety and impose more stringent limitations on operations of the household care industry. Additionally, we are also subject to changes in general laws, regulations and policies, such as zoning ordinances or environmental regulations, which may hinder our expansion plan and impact our daily operations. As such, we may need to incur additional costs and our business growth and development may slow down due to resources we have to spend on complying with these laws and regulations, which may materially and adversely affect our business, financial condition, results of operations and prospects.

We may be subject to fines and penalties under PRC laws for failure to make full contributions for social insurance and housing provident funds for our employees.

Under the applicable PRC laws, we are required to contribute, as an employer, to social insurance (including pension fund, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance) and housing provident funds for the benefit of our employees.

Blue Moon China failed to pay housing provident funds for certain types of employees before July 2018. Additionally, as at 31 December 2019, some of our PRC subsidiaries in Guangzhou had not paid housing provident funds for employees with disabilities in accordance with the requirements and standards of local housing provident fund authority. According to the Housing Accumulation Funds Regulation, if the employer fails to register and establish an account for housing provident fund, the authority shall order the employer to correct it within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the authority shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a People's Court of the PRC for compulsory enforcement. The amount of outstanding housing provident fund contribution of our PRC subsidiaries for each of the years ended 31 December 2017, 2018 and 2019 were approximately RMB7.3 million, RMB4.3 million and RMB0.1 million, respectively. We may therefore be ordered by the relevant authorities to pay the outstanding amount in the aggregate sum of RMB11.8 million within a prescribed period, failing which we may be subject to specific enforcement by the People's Court.

In addition, some of our PRC subsidiaries failed to make social insurance contributions based on the actual salary level of the employees between January 2017 and April 2017. According to the Social Insurance Law, if an employer fails to make social insurance contributions in full, the relevant authorities shall order the employer to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if the employer fails to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. The shortfall amount of social insurance contribution of our PRC subsidiaries for the period between January 2017 and April 2017 was RMB1.1 million. We may therefore be ordered by the relevant authorities to pay the outstanding amount in the aggregate sum of RMB1.1 million within the prescribed period, failing which we may be subject to a penalty in an amount that is equal to one to three times of such shortfall amount.

Please refer to the section headed "Business – Legal and Arbitration Proceedings and Compliance Matters" for details. We cannot assure you that we will not be subject to any order to rectify this non-compliance incident in the future, nor can we assure you that there are no, or will not be any, relevant employee complaints against us. Any such order may adversely and materially affect our business, financial condition, results of operations and prospects.

Government grants currently received by us may be reduced or discontinued in the future.

During the Track Record Period, we recorded government grants primarily from local government authorities in Guangzhou. These government grants have been provided in recognition of our achievements and contribution to local economy. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, we recognised government grants of HK$7.6 million, HK$35.9 million, HK$40.5 million, HK$30.2 million and HK$37.4 million, respectively. We cannot assure you that we will continue to be eligible to receive such government grants or that the amount of such grants will not be reduced in the future. Our ability to continue to enjoy government grants is subject to changes in national or local policies that affect the validity of our agreements with the relevant local government authorities and the availability of similar preferential arrangements, and may be affected by the termination of, or amendments to, such agreements for any number of reasons, including those beyond our control. Moreover, we cannot assure you that we will be able to enter into new agreements with local government authorities that provide government grants to us on similar terms. Any decrease in or termination of such government grants in the future may have a material and adverse effect on our financial condition, results of operations and prospects.

We may be subject to higher income tax rates as certain preferential tax treatments granted to us will not be renewed.

During the Track Record Period, Blue Moon Industrial, one of our major subsidiaries in the PRC, has enjoyed a preferential enterprise income tax rate of 15% as a qualified New and Hi-Tech Enterprise, instead of the general rate of 25%. In 2017, 2018 and 2019, the profit before taxation of Blue Moon Industrial per the statutory financial statements was RMB39.1 million, RMB53.5 million and RMB167.8 million, respectively. Blue Moon Industrial's qualification as a New and Hi-Tech Enterprise expired in November 2020 and it has elected not to renew such qualification. Accordingly, Blue Moon Industrial may be subject to the 25% enterprise income tax rate from 2020 onwards, which may increase our consolidated income tax expense and decrease our consolidated net profit, and may in turn materially and adversely affect our financial condition and results of operations.

Our information technology systems may experience unexpected system failures, interruptions, inadequacies or security breaches.

We rely on our information technology systems, particularly the enterprise resource planning ("**ERP**") system and the CRM system to effectively manage our inventory, client information analysis, logistic data, sales activities, sales personnel workload and other business processes. As our sales through online channels grow, we plan to continue using our CRM system, which is connected to all e-commerce platforms we operate, as a unified system to manage all online sales activities across different platforms in the future. Our growing use and reliance on information technology will place an increasing pressure on such systems. We may encounter problems when upgrading our systems and services, which could adversely affect our sales and other operations.

In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including power outages, fire, natural disasters, systems failures, security breaches and viruses. Any significant failure of our information technology systems, or loss or leakage of confidential information could result in transaction errors, process inefficiencies and loss of sales and customers, which could further harm our reputation and materially and adversely affect our business, financial condition, results of operations and prospects.

Our facilities and operations may require substantial investment and upgrading.

Our facilities and operations may require substantial investment and upgrading from time to time due to depreciation or business growth, which may increase our cost. If we cannot successfully recover such cost, our profitability may be decreased. Additionally, the timely completion of planned upgrading is subject to a number of factors, including our ability to raise and maintain sufficient funds for such upgrading, our ability to obtain the required licences and permits from government authorities, and adequate supply and timely delivery of materials and equipment. If upgrading is not completed in a timely manner, our production capacity may be temporarily restrained, which may further materially and adversely affect our business, financial condition, results of operations and prospects.

The construction of new production and storage facilities, the addition of property, plant and equipment, and the establishment of a new factory in connection with our expansion strategies may result in an increase in depreciation costs.

We plan to construct additional production and storage facilities and purchase certain equipment and machinery in connection with our expansion strategies. In addition, we plan to build a new factory. Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" for details. Following the completion of the construction of such new production and storage facilities and the new factory, as well as the commencement of using such equipment and machinery, we expect our average depreciation costs to increase by approximately HK$131.7 million per annum from 2020 to 2025, and HK$296.3 million per annum from 2026 onwards. Such increases in our depreciation costs could result in a decrease in our profit and may adversely affect our financial condition and results of operations.

Laws and regulations related to e-commerce activities in China may impose additional requirements and obligations on our online channels or could increase our compliance cost.

The e-commerce industry in which we have operations is highly regulated. As the e-commerce industry is evolving rapidly in China, new laws and regulations may be adopted to address new issues that arise from time to time and to impose additional restrictions on our e-commerce business. If the PRC government establishes stricter data privacy or other regulatory requirements on e-commerce activities in the future, we may incur significantly higher compliance costs in our online channels, and we cannot assure you that we would be able to meet all the regulatory requirements in a timely manner, or at all. For example, the E-Commerce Law, promulgated by the SCNPC on 31 August 2018 and implemented on 1 January 2019, requires all e-commerce operators, broadly defined to include natural persons, legal persons and unincorporated organisations that engage in business activities of selling commodities or offering services through the internet and other information networks, to abide by the principles of voluntariness, equality, equity and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for quality of products or services, and accept the supervision by the government and the public. Please refer to the section headed "Appendix III – Regulatory Overview – Regulation on E-commerce Activities" for details. Such legislation and enforcement may result in additional compliance obligations and costs or place restrictions upon our current or future operations. This may in turn materially and adversely affect our business, reputation, financial condition, results of operations and prospects.

We may fail to protect our proprietary data and customer information.

We believe that our ability to compile and analyse sales data and customer data is critical to our success. We have built a large customer data base leveraging our extensive retail network and our information technology system. We obtain customer data primarily through our stores, websites and mobile apps, such as our end-customers' personal information, payment-related information and transaction history. Concerns about our practices with regard to the collection, storage, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation, and as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. Furthermore, any actual or alleged leakage or unauthorised use of the customer data we have collected could result in decreases in the online traffic to purchase our products and the overall sales, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have adopted security policies and measures to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in compromises or breaches of the technologies that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining and misappropriating our proprietary data and customer information. In addition, we have limited control or influence over the security policies or measures adopted by third party online payment service providers through which some of our end-customers may elect to make online purchases. Furthermore, our third party logistics service providers or courier companies may also violate their confidentiality obligations and illegally or improperly disclose or use information about our customers. Any negative publicity on our IT system's or online retail channels' safety or privacy protection mechanism and policy could have a material adverse effect on our public image and reputation.

Furthermore, the regulations in the PRC governing the use of personal data are improving. Any change in the regulations governing the use of such personal data could adversely affect our ability to use such data or discourage our end-customers from using our online retail sales channels, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our insurance coverage may not be sufficient to cover all of our potential losses.

We purchase and maintain insurance policies that we believe are in line with the industry practice and as required under the relevant laws and regulations. Please refer to the section headed "Business – Insurance" for details. However, we cannot assure you that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. Consistent with customary practice in China, we do not carry any business interruption or litigation insurance. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our financial condition, results of operations and prospects. We may be required to bear our losses to the extent that our insurance coverage is insufficient.

Our acquisition strategies may not succeed.

We may consider growing our business through organic growth, and investments in and/or acquisitions of companies that are complementary to our business in the future. We have limited prior experience in expanding through mergers and acquisitions with acquisition of only one company in 2014 that produces and provides certain chemical raw materials. Our ability to grow through acquisition depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain any necessary financing for such acquisitions. Even if we successfully complete an acquisition, we may experience difficulties in integrating the acquired business, its personnel or its products into our existing business; delays or failures in realising the benefits of the acquired business or its products; diversion of our management's time and attention from other business concerns; higher costs of integration than we anticipated; or difficulties in retaining key employees of the acquired business who are necessary to manage the acquired business. As at the Latest Practicable Date, we have not engaged in any negotiations or entered into any letter of intent nor do we have any definitive and finalised understanding, commitment or agreement in relation to any potential acquisition. However, if we undertake such acquisition but fail to either complete the acquisition or integrate the acquired businesses successfully into our existing operations, our share price, business, financial condition, results of operations and prospects may be materially and adversely affected.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, our Controlling Shareholders will directly or indirectly, individually or together with others control 77.36% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Allotment and issue of Shares upon the exercise of the options granted under the Pre-IPO Share Option Scheme could negatively impact our future results of our operations.

On 23 September 2020, we adopted the Pre-IPO Share Option Scheme. On 23 September 2020, pursuant to the Pre-IPO Share Option Scheme, we have granted share options to subscribe for an aggregate of 61,651,000 Shares to certain grantees who are our employees (including our Directors and members of our senior management team) and our Business Associates. Please refer to the section headed "Appendix V – Statutory and General Information – D. Pre-IPO Share Option Scheme" for details.

The fair value of the share options granted will be recognised as share-based compensation expenses, which will have an adverse effect on our profits. Moreover, exercise of the share options we plan to grant will increase the number of our Shares in issue, which will result in a dilution to the shareholding percentage interest of our Shareholders and would also result in a dilution or reduction of the earnings per Share or net asset value per Share. Upon the exercise of all the share options under the Pre-IPO Share Option Scheme, the shareholding of our Shareholders will be diluted by approximately 1.07% as calculated based on 5,747,126,500 Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised). Accordingly, our results of operations and profitability may be adversely affected on an ongoing basis as and when the share options are vested. Any actual or perceived sales of the additional Shares issued upon the exercise of the share options we have granted or plan to grant may adversely affect the market price of our Shares.

We may be subject to war, terrorist attacks or force majeure events that are beyond our control.

Our business is subject to general economic and social conditions in China. Natural and manmade disasters, and other force majeure events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought. An occurrence or recurrence of any of these events could result in material disruptions to our operations or a slowdown of China's economy, which could materially and adversely affect our business, financial condition, results of operations and prospects. Acts of war and terrorism may also injure our employees, cause loss of lives, damage our facility, disrupt our distribution channels and destroy our markets. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict.

RISKS RELATING TO THE PRC

Changes in the PRC's economic, political and social conditions, as well as government policies and global trade practices, could have a material adverse effect on our business, financial condition, results of operations and prospects.

During the Track Record Period, substantially all of our assets were located in China, and substantially all of our revenue was derived from our business in China. Accordingly, our financial condition, results of operations and prospects are, to a material extent, affected by economic, political and legal developments in China.

The PRC economy differs from the economies of developed countries in many respects, including, among others, the degree of government involvement, investment control, level of economic development, growth rate, foreign exchange controls and resource allocation. Since 1978, the PRC government has implemented many economic and social reform measures. As a result, China is experiencing a transition from a planned economy to a more market-oriented economy. A substantial portion of productive assets in China, however, is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through means such as allocating resources, controlling payments of foreign-currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasising the utilisation of market forces, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may materially and adversely affect us. For example, our financial condition and results of operations may be adversely affected by changes in applicable PRC tax laws that increase our effective tax rate, although such changes may benefit the overall PRC economy. Additionally, fluctuations in global trade practices and foreign policies resulting from potential trend worldwide that calls for protectionism trade policy and ongoing trade disputes between China and the United States may further affect the PRC economy. In January 2020, the "Phase One" agreement was signed between the United States and China on trade matters. However, it remains unclear what additional actions, if any, will be taken by the U.S. or other governments with respect to international trade agreements, foreign policies or other matters. The escalating tensions between China and the United States may also lead to restrictions on certain international business transactions and economic activities and may jeopardise our competitive advantage or prevent us from selling our products in certain countries. China has experienced rapid economic growth over the past few decades; however, its continued growth has faced downward pressure since the second half of 2008 and its annual GDP growth rate declined from 9.5% in 2011 to 6.1% in 2019, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). In the first quarter of 2020, the GDP growth rate further slowed down to negative 6.8% due to the COVID-19 outbreak. Although the GDP grew 3.2% in the second quarter of 2020, there is no assurance that the economic growth in the PRC will fully recover in the foreseeable future. Our business, financial position, results of operations and prospects may be materially and adversely affected by PRC government's economic, political and social policies, including those to our industry.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us and limit the legal protection available to investors.

Our business and operations are primarily conducted in China and are governed by PRC laws and regulations. In addition, our offshore holding companies and certain transactions between them may be subject to various PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited weight as precedents. The PRC legal system continues to evolve rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies. In recent years, the PRC government implemented a series of new laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control and supervision and inspection of enterprises engaged in production of household care products. Please refer to the section headed "Appendix III – Regulatory Overview – Regulations in relation to Producing our Products" for details. If the PRC government continues to impose stricter regulations on the household care industry, we could face higher costs in order to comply with those regulations, which could impact our profitability. Moreover, we cannot predict the effect of future developments in the PRC legal system. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations. Further, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of any violation of these policies and rules until after such violation has occurred. Furthermore, the legal protections available to us and our investors under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and the diversion of resources and management attention.

More stringent restrictions on the remittance of Renminbi into and out of the PRC and governmental control over currency conversion may limit our ability to pay dividends and other obligations.

Renminbi is not currently a freely convertible currency, as the PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our payments from customers in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares, and to fund our business activities outside China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under China's existing foreign exchange regulations, payment of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, approval from or registration with competent 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 take measures at its discretion from time to time to restrict access to foreign currencies for current account transactions. Since 2015, in response to China's declining foreign currency reserves, the PRC government has placed increasingly stringent restrictions on the convertibility of Renminbi into foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China. Any existing and future restrictions on currency exchange may limit our ability to purchase raw materials outside of China or otherwise fund any future business activities that are conducted in foreign currencies, such as Canadian dollar.

Fluctuations in exchange rates of Renminbi could result in foreign currency exchange losses.

The exchange rate of Renminbi against U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in China's and international political and economic conditions, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and the Hong Kong dollar, U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policies goals.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a significant appreciation of Renminbi against U.S. dollar, Hong Kong dollar or other foreign currencies.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against U.S. dollar, Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax.

We are a company incorporated under the laws of Cayman Islands. Pursuant to the EIT Law, if an enterprise incorporated outside the PRC has its "de facto management bodies" within China, such enterprise may be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25% on its global income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009 and July 2011, the SAT issued several circulars to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management body" for foreign enterprises that are not controlled by PRC enterprises. Therefore, it remains unclear how PRC tax authorities will treat a case like ours. If we are regarded as a PRC resident enterprise by the PRC tax authorities, we would have to pay PRC enterprise income tax at a rate of 25% for our entire global income, which may materially and adversely affect our profit and hence our retained profit available for distribution to our Shareholders.

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

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are "non-resident enterprises", which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of shares by such investors is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under the subsection headed "We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax.", dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, may be treated as income derived from sources within China, and as a result be subject to the PRC income taxes described above. However, our Shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognised as eligible for such benefits in accordance with the Announcement of the SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》) (the "**Circular 60**"), which was issued on 27 August 2015 and was last amended on 15 June 2018. According to the Circular 60, the preferential tax rate does not automatically apply. With respect to dividends, the "beneficial owner" tests under Announcement of the SAT on Issues regarding Beneficial Owner under Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) (the "**Circular 9**") will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in China. As a result, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. The PRC laws and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. As a result, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

Our PRC resident Shareholders are subject to potential exposure to personal liability as a result of the establishment of, control over or investment in offshore special purpose companies.

SAFE Circular 37, which replaced SAFE Circular 75, requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". Pursuant to SAFE Circular 37, "control" refers to the act through which a PRC resident obtains the right to carry out business operation of, to gain proceeds from or to make decisions on a special purpose vehicle by means of, among others, shareholding entrustment arrangement. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as change of shareholders of the special purpose vehicle, increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfil the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) released on 13 February 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from 1 June 2015.

To the best of our knowledge, as at the Latest Practicable Date, our actual controller (namely Ms. Pan) is a Canadian, and some of our ultimate Shareholders (namely Mr. Poon Kwok Leung, Mr. Tsoi Tung Leung Toro and Mr. Chen Rui Cheng) are Hong Kong permanent residents; there is no need for them to complete the aforementioned SAFE registration. However, we may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC residents, and may not always be able to compel our beneficiaries to comply with the requirements of the SAFE Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the SAFE Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

Failure to comply with PRC regulations in respect of the registration of our PRC residents employees' share options may subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the SAFE Circular 7 issued by the SAFE on 15 February 2012, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of the Global Offering. Although Guangdong Branch of the SAFE has confirmed verbally that there is no obstacle to complete the aforementioned SAFE registration, there is still uncertainty as to the application of the SAFE Circular 7 and the relevant rules. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, and limit our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially and adversely affect our business, financial condition and results of operation.

Any deficiencies in China's internet infrastructure could impair our ability to sell products over our online sales network, which could cause us to lose end-customers.

We are increasingly dependent on online sales through our own web-based sales platform and third party e-commerce platforms. These sales depend on the performance and reliability of the internet infrastructure in China. The availability of our own web-based sales platform and third party e-commerce platforms depends on telecommunications carriers and other third party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we or any third party e-commerce platform providers are unable to enter into and renew agreements with these providers on acceptable terms, or if any of our or their existing agreements with such providers are terminated as a result of our or their breach or otherwise, as applicable, our ability to sell products to our end-customers online could be adversely affected. Service interruptions prevent customers from accessing our online sales channels and placing orders, and frequent interruptions could frustrate customers and discourage them from attempting to place orders, which could cause us to lose end-customers and harm our operating results.

You may experience difficulty in effecting service of legal process, enforcing foreign judgements or bringing original actions in China or Hong Kong based on foreign laws against us, our Directors and senior management.

We are incorporated in the Cayman Islands. Substantially all of our assets, and a significant portion of the assets of our Directors are located in China. As a result, it may not be possible for investors to effect service of process upon us or persons who reside in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgements made by courts of most other jurisdictions.

On 14 July 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2006 Arrangement**"), pursuant to which a party with a final judgement rendered by a Hong Kong court requiring payment in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in China, and vice versa. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgement rendered by a Hong Kong court in China if the parties in dispute have not entered into a choice of court agreement in writing under the 2006 Arrangement.

On 18 January 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**") was signed between the Supreme People's Court of China and Hong Kong government.

Comparing with the 2006 Arrangement, the 2019 Arrangement establishes a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgements between Hong Kong and China in civil and commercial matters under both Hong Kong and PRC law. The 2019 Arrangement will apply to judgements made by the courts of Hong Kong and China on or after its commencement date, which will be announced by Hong Kong and China after necessary procedures of both places have been completed. The 2006 Arrangement will be superseded upon the effective date of 2019 Arrangement. However, the 2006 Arrangement will remain applicable to a "choice of court agreement in writing" as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement taking effect.

Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

The PRC regulations of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the net proceeds of the Global Offering to make additional capital contributions or loans to our major PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the net proceeds of the Global Offering, are subject to PRC regulations and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to our major PRC subsidiaries are subject to the requirement of making necessary filings in the enterprise registration system and the National Enterprise Credit Information Publicity System, and registrations with other government authorities in China. We cannot assure you that we will be able to obtain these approvals or registrations on a timely basis, or at all. If we fail to obtain such approvals or registrations, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be materially and adversely affected. This may materially and adversely affect our PRC subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for the Offer Shares may not develop.

Prior to the Global Offering, there was no public market for our Shares. The initial Offer Price for our Shares to the public was the result of negotiations between us and the Joint Global Coordinators (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. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering.

The price and trading volume of the Offer Shares may be volatile.

The trading price and trading volume of the Offer Shares may be subject to significant volatility in responses to various factors, including, but not limited to:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments affecting us, our sales and distribution partners or our competitors;
- investors' perception of us and of the investment environment;
- developments in our business sector or in the financial sector generally, including the effect of direct governmental action in the financial markets;
- changes in pricing made by us or our competitors;
- the operating and securities price performance of companies that investors consider to be comparable to us;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on the Offer Shares;
- sales or anticipated sales of additional Sales;
- involvement in litigation; and
- changes in global financial and credit markets and global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

As a result of these market fluctuations, the price of the Offer Shares may decline significantly, and you may lose a significant value on your investment.

We may be unable to pay dividends.

As a general matter, we cannot guarantee that we will pay dividends in the future. The payment of dividends will depend on factors such as our business outlook, cash flow requirements and financial performance, the state of the market and the general economic climate and other factors, including tax and other regulatory considerations. Additionally, prior dividend policy and past dividends declared should not be used as an indicator for future dividends.

Should the Offer Price be higher than the net tangible book value per Share, subject to pricing, you may experience an immediate dilution in the book value of the Offer Shares you purchased in the Global Offering and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares may be higher than the net tangible book value per Share immediately prior to the Global Offering. As a result, you and other purchasers of the Offer Shares in the Global Offering may experience an immediate dilution to a pro forma net tangible asset value of HK$1.78 per Share, based on the Maximum Offer Price of HK$13.16 per Share.

In order to expand our business, we may consider offering and issuing additional Shares in the future. You and other purchasers of the Offer Shares may experience further dilution in the net tangible book value per Share if we issue additional Shares at a price lower than the net tangible book value per Share at the time of their issue.

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

Future sales of a substantial number of Shares by our Controlling Shareholders could negatively impact the market price in Hong Kong of our Shares and our ability to raise equity capital in the future at a time and price that it deems appropriate. Our Shares held by our Controlling Shareholders are subject to certain restrictions regarding their disposal for a period of 12 months after the date on which trading in our Shares commences on the Stock Exchange. Please refer to the section headed "Underwriting – Lock up Arrangements" for details. There can be no assurance that our Controlling Shareholders will not dispose of any Shares they own now or may own in the future.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may need to raise additional funds in the future to finance further expansion of our capacity and business relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Offer Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- further limit our ability to pay dividends or require us to seek consents for the payment of dividends;

- increase our vulnerability to general adverse economic and industry conditions;

- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

You should read the entire prospectus carefully and should not place any reliance on published media reports without carefully considering the risks and other information contained in this prospectus.

There may be published media reports or other press and/or research analyst coverage regarding us, our business and industry, and the Global Offering prior to the completion of the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding the Offer Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Offer Shares, the Global Offering, our business or the industry in which we operate.

We make no representations as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are consistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

The facts and statistics included in this prospectus relating to China's economy and its household care product industry might not be accurate.

All facts and statistics in this prospectus relating to China, China's economy and its household care industry have been derived from various official government publications and other publicly available publications. However, we cannot assure you of the quality or reliability of these sources. They have not been prepared or independently verified by us or any of our affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to lack of information regarding methods or the accuracy of data collection and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

The members of our Board are as follows:

Name	Address	Nationality
Executive Directors		
PAN Dong (潘東)	Flat A, 49/F, Tower 8A Bel-Air No. 8 8 Bel-Air Peak Avenue Hong Kong	Canadian / Chinese (Hong Kong)
LUO Qiuping (羅秋平)	Flat A, 49/F, Tower 8A Bel-Air No. 8 8 Bel-Air Peak Avenue Hong Kong	Chinese (Hong Kong)
LUO Dong (羅東)	Room 801, Tower 1, 11 Street Feng Ying Yuan, Phoenix City Xintang, Guangzhou China	Chinese
POON Kwok Leung (潘國樑)	Flat A, 23/F, Block 13 Braemar Hill Mansions 39 Braemar Hill Road Hong Kong	Chinese (Hong Kong)
XIAO Haishan (肖海珊)	Room 604, 20 North Xincheng Street Tianhe, Guangzhou China	Chinese
Non-executive Director		
CAO Wei (曹偉)	No. 1270, District B Youshanmeidi, Wenyu Manor, Houshayu, Shunyi District Beijing, China	Chinese
Independent Non-executive Directors		
Bruno Robert MERCIER	G/F – 2/F No. 30 Tai Au Mun Village Clear Water Bay, Sai Kung Hong Kong	French
NGAN Edith Manling (顏文玲)	Wu Yee Sun College Master's Lodge Chinese University of Hong Kong Shatin, Hong Kong	British
HU Yebi (胡野碧)	Flat B, 12/F Grenville House Magazine Gap Road Hong Kong	Chinese (Hong Kong)

Please refer to the section headed "Directors and Senior Management" for details.

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners
(in alphabetical order)

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Citigroup Global Markets Asia Limited
(Joint Sponsor, Joint Global Coordinator and Joint Bookrunner in relation to the Hong Kong Public Offering only)
50th Floor, Champion Tower
Three Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(Joint Bookrunner in relation to the International Offering only)
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Merrill Lynch Far East Limited
(Joint Sponsor)
Level 55, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Merrill Lynch (Asia Pacific) Limited
(Joint Global Coordinator and Joint Bookrunner)
Level 55, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Joint Global Coordinators and Joint Bookrunners
(in alphabetical order)

BNP Paribas Securities (Asia) Limited
59/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Joint Bookrunners
(in alphabetical order)

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central Hong Kong

CMBC Securities Company Limited
45/F., One Exchange Square
8 Connaught Place
Central, Hong Kong

CMB International Capital Limited
45/F Champion Tower
3 Garden Road
Central, Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-C2, 13/F
United Centre
No.95 Queensway, Admiralty
Hong Kong

ICBC International Capital Limited
37/F, ICBC Tower
3 Garden Road, Hong Kong

UOB Kay Hian (Hong Kong) Limited
6/F, Harcourt House
39 Gloucester Road
Hong Kong

Legal Advisers to our Company

As to Hong Kong and U.S. laws:
Linklaters
11/F, Alexandra House
Chater Road
Central
Hong Kong

	As to PRC laws: **King & Wood Mallesons** 25/F, Guangzhou CTF Finance Centre No.6 Zhujiang East Road Zhujiang New Town, Tianhe District Guangzhou, Guangdong PRC
	As to Cayman Islands laws: **Conyers Dill & Pearman** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal Advisers to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws:* **Freshfields Bruckhaus Deringer** 55/F, One Island East Taikoo Place Quarry Bay Hong Kong
	As to PRC laws: **Haiwen & Partners** 20/F, Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District, Beijing PRC
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai PRC

Compliance Adviser	**Somerley Capital Limited** 20/F China Building 29 Queen's Road Central Hong Kong
Receiving Banks	**China Construction Bank (Asia) Corporation Limited** 28/F, CCB Tower 3 Connaught Road Central Central Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 18/F Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and Principal Place of Business in the PRC	No. 36, Pu Nan Road Yun Pu Industrial Zone Huangpu District Guangzhou PRC
Principal Place of Business in Hong Kong	Unit 4606, 46/F COSCO Tower Grand Millennium Plaza No. 183 Queen's Road Central Hong Kong
Company Secretary	POON Kwok Leung (潘國樑) *CPA* Flat A, 23/F, Block 13 Braemar Hill Mansions 39 Braemar Hill Road North Point Hong Kong
Authorised Representatives	PAN Dong (潘東) Flat A, 49/F, Tower 8A Bel-Air No. 8 8 Bel-Air Peak Avenue Hong Kong POON Kwok Leung (潘國樑) Flat A, 23/F, Block 13 Braemar Hill Mansions 39 Braemar Hill Road North Point Hong Kong
Audit Committee	NGAN Edith Manling (顏文玲) *(Chairman)* CAO Wei (曹偉) Bruno Robert MERCIER
Remuneration Committee	HU Yebi (胡野碧) *(Chairman)* PAN Dong (潘東) XIAO Haishan (肖海珊) Bruno Robert MERCIER NGAN Edith Manling (顏文玲)

Nomination Committee	PAN Dong (潘東) *(Chairman)* HU Yebi (胡野碧) Bruno Robert MERCIER
Principal Bankers	Bank of China Limited Guangzhou Development Zone Branch 2 Qingnian Road Guangzhou Economic and Technological Development Zone Guangzhou, Guangdong PRC
	Industrial and Commercial Bank of China Limited Guangzhou Economic and Technological Development Zone Branch 2 Xiangxue Second Road North Kai Chuang Da Dao Huangpu District Guangzhou, Guangdong PRC
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	China Construction Bank (Asia) Corporation Limited 28/F, CCB Tower 3 Connaught Road Central Hong Kong
	United Overseas Bank (China) Limited Guangzhou Branch Room 3801, Block 1, Taikoo Hui 385 Tianhe Road Tianhe, Guangzhou Guangdong, PRC
Principal Share Registrar and Transfer Agent in Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands

Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Company's Website	www.bluemoon.com.cn *(A copy of this prospectus is available on our Company's website. Except for the information contained in this prospectus, none of the other information contained on our Company's website forms part of this prospectus)*

OVERVIEW

Our history can be traced back to 1992 when the first "Blue Moon (藍月亮)" brand product was launched. We have developed into a leading consumer household care company in China. As at the Latest Practicable Date, we had four production bases located in Guangzhou, Tianjin, Kunshan and Chongqing, and our products were sold in all provinces in China during the Track Record Period.

HISTORY AND BUSINESS MILESTONES

Key Business Milestones

The following table illustrates the key milestones of our business:

Year	Event
1992	The first "Blue Moon (藍月亮)" brand product – Blue Moon Enhanced Kitchen Cleaner was launched.
2000	The Blue Moon Liquid Soap in transparent packaging was launched as the first "Blue Moon (藍月亮)" brand personal hygiene product introduced in China.
2002	Our production base in Guangzhou on our owned property was established and commenced operation.
2005	The Blue Moon Liquid Soap and the Blue Moon Toilet Cleaner were accredited as Guangdong Provincial Famous Trademarks (廣東省著名商標) by the Famous Trademark Evaluation Committee of Guangdong Province.
2008	The Blue Moon Deep Clean Care Liquid Laundry Detergent was launched in China.
2011	The Blue Moon Hand-wash Laundry Detergent was launched, thereby introducing specialised laundry detergent products to accommodate different consumer needs. We also started to expand our production to different parts of China and established and commenced operation at our production base on our owned property in Tianjin.
2012	We began utilising online sales channels to market and distribute our products.
2015	The Blue Moon Machine Wash Supreme Concentrated Plus Laundry Detergent, a concentrated liquid laundry detergent with our patented pump dispenser, was launched.
2016	Our production base in Kunshan on our owned property was established and commenced operation.
2017	Our production base in Chongqing on our owned property was established and commenced operation.
2018	The Supreme Biotechnology Liquid Laundry Detergent was launched.

Year	Event
2019	We were awarded the National Environmental Labelling Contribution Award (中國環境標誌貢獻獎) and the National Environmental Labelling Outstanding Enterprise (中國環境標誌優秀企業獎) from China Ministry of Ecology and Environment Development.

Our Early History

Our history dates back to 1992 when Daoming Company (with Mr. Luo as one of the founders) launched our first "Blue Moon (藍月亮)" brand cleaning product. In 1994, Guangzhou Blue Moon Company was established in the PRC by Mr. Luo and Mr. Luo Wengui, Mr. Luo's father, to take over the business of "Blue Moon (藍月亮)" brand cleaning products from Daoming Company. Daoming Company has since then ceased to engage in any business relating to the manufacturing of "Blue Moon (藍月亮)" brand cleaning products and focused on the manufacturing and sales of chemical raw materials. For more information about Daoming Company and its transactions with our Group, please refer to the section headed "Connected Transactions".

Since the establishment of Guangzhou Blue Moon Company in 1994, Ms. Pan has been one of its key technical consultants until her formal appointment as the chief technology officer of our Group in 2003.

Incorporation of Blue Moon Group as an offshore holding entity

Blue Moon Group was incorporated in Hong Kong on 24 November 1994 as an offshore investment holding company. Upon its incorporation, Mr. Luo subscribed for 9,000 shares and Mr. Fu Xiangdong, the brother of Mr. Luo, subscribed for the remaining 1,000 shares. Mr. Fu Xiangdong subsequently transferred all his shareholding in Blue Moon Group comprising 1,000 shares to Ms. Pan on 23 November 1997. From its incorporation until the establishment of Blue Moon Biotechnology on 13 July 2001[1], Blue Moon Group did not carry on any business activity or have any subsidiary.

On 8 September 2001, Mr. Luo and Ms. Pan transferred, respectively, 9,000 and 999 shares of Blue Moon Group to ZED, another offshore investment holding company which was then wholly owned by Mr. Luo Wengui, Mr. Luo's father. Following the share transfer, ZED held 9,999 shares of Blue Moon Group while Ms. Pan held the remaining one share.

Development of our Group by Ms. Pan

Having been involved in the development and manufacturing of "Blue Moon (藍月亮)" brand cleaning products by Guangzhou Blue Moon Company for almost a decade, Ms. Pan formulated the strategy in 2002 to conduct the business of "Blue Moon (藍月亮)" brand products through our Group. The rationale of this business strategy was to: (i) better deploy the management and technological knowledge of Ms. Pan for operating the business and developing the "Blue Moon (藍月亮)" brand products, and (ii) capture the tax benefits which could be enjoyed by enterprises with foreign investment in the PRC pursuant to the then prevailing PRC regulations.

[1] Blue Moon Biotechnology was established on 13 July 2001 by Blue Moon Group and Blue Moon Industrial as a sino-foreign equity joint venture. At the time of establishment, the equity interest was held by Blue Moon Group and Blue Moon Industrial as to 90% and 10%, respectively. The equity interest held by Blue Moon Industrial was later transferred to Blue Moon Group on 3 July 2006 and Blue Moon Biotechnology therefore became a wholly owned subsidiary of our Group. Blue Moon Biotechnology later merged with Blue Moon China by absorption in 2013.

As part of the implementation of this business strategy, Ms. Pan acquired the entire issued share capital of ZED from Mr. Luo Wengui in 2002 and, as a result, became the ultimate sole beneficial owner of Blue Moon Group (which in turn held 90% of the equity interest of a PRC operating entity, Blue Moon Biotechnology, at the time of such acquisition and eventually became interested in 100% of the equity interest thereof in 2006). Blue Moon Group also acquired the entire equity interest of another PRC operating entity, Blue Moon Industrial, from Mr. Luo and Mr. Luo Wengui in 2003. Following such acquisitions, Ms. Pan designated Blue Moon Group as the holding company of our Group and the two PRC operating entities of our Group, Blue Moon Biotechnology and Blue Moon Industrial, became the manufacturing arms of our Group.

Since the acquisitions of Blue Moon Biotechnology and Blue Moon Industrial, our Group has engaged in the manufacturing and processing of products for Guangzhou Blue Moon Company, which in turn distributed such products under the "Blue Moon (藍月亮)" brand in the PRC market. Our Group expanded its business by developing its own sales and distribution network and gradually distributing the "Blue Moon (藍月亮)" brand products through our own sales and distribution channels. Guangzhou Blue Moon Company ceased to engage in the manufacturing, sales and distributions of "Blue Moon (藍月亮)" brand products, and was eventually voluntarily dissolved in 2012.

Reorganisation and further expansion of our Group

Our Group underwent a reorganisation between 2007 and 2010. As part of such reorganisation, our Company was incorporated in the Cayman Islands and became the ultimate holding company of our Group. For details of such reorganisation, please refer to the subsection headed "Incorporation of our Company and Aswann and shareholding restructuring involving Blue Moon Group" below.

Since 2011, our Group has further expanded its presence and production bases in the PRC. We have established a number of subsidiaries to (i) operate our production bases in Guangzhou, Tianjin, Kunshan and Chongqing, (ii) manage our sales and distribution network, and (iii) provide laundry and other services in the PRC. For details in relation to the business of our operating subsidiaries, please refer to the section headed "Business" and the subsection headed "Our Major Subsidiaries" below.

OUR MAJOR SUBSIDIARIES

The following table sets out the principal business activities and the date and place of incorporation of each member of our Group that made a material contribution to our results of operations during the Track Record Period:

Name of subsidiary	Principal business activities	Date and place of incorporation
Blue Moon China	Sales and distribution of cleaning products	18 January 2011, the PRC
Blue Moon Industrial	Operation of our production facilities in Guangzhou and sales of cleaning products	9 January 2001, the PRC
Blue Moon Tianjin	Operation of our production facilities in Tianjin and sales of cleaning products	6 January 2010, the PRC
Blue Moon Chongqing	Operation of our production facilities in Chongqing and sales of cleaning products	30 July 2015, the PRC

Name of subsidiary	Principal business activities	Date and place of incorporation
Blue Moon Kunshan	Operation of our production facilities in Kunshan and sales of cleaning products	3 December 2013, the PRC

MAJOR SHAREHOLDING CHANGES AND PRE-IPO INVESTMENTS

Incorporation of our Company and Aswann and shareholding restructuring involving Blue Moon Group

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability on 27 December 2007 as "BLUE MOON INTERNATIONAL HOLDINGS LIMITED 藍月亮國際控股有限公司". Upon incorporation, one share of HK$0.01 each was allotted and our Company became a wholly owned subsidiary of ZED, the entire share capital of which was held by Ms. Pan. In 2008, our Company changed its name to "Blue Moon Group Holdings Limited 藍月亮集團控股有限公司" and became the ultimate holding company of our Group.

On 17 November 2010, ZED transferred the entire issued share capital of Blue Moon Group of 10,000 shares to Blue Moon BVI in consideration for an allotment of 9,999 shares of HK$1.00 each by Blue Moon BVI. Upon the completion of such transfer, ZED held 10,000 shares of HK$1.00 each of Blue Moon BVI.

On 19 November 2010, ZED transferred 10,000 ordinary shares of HK$1.00 each of Blue Moon BVI (representing the entire issued share capital of Blue Moon BVI) to our Company in consideration for an allotment of 9,999 Shares of HK$0.01 each by our Company.

On 20 November 2010, ZED transferred 10,000 ordinary shares of US$0.01 each, representing the entire issued share capital of our Company, to its then wholly-owned subsidiary, Aswann, at the par value for a consideration of US$100. Aswann has since then become the holding company of our Company until the completion of the Distribution.

The transfer of the entire issued share capital of our Company from ZED to Aswann as described above was conducted in preparation for the introduction of the Pre-IPO Investments, which are more particularly described below. It was also conducted to create flexibility for us to consider and elect the most appropriate entity as the listing vehicle for future listings.

As advised by the PRC legal advisers to our Company, our Group was not required to obtain any regulatory approval in the PRC in respect of the transfer of shares as described above. As advised by Cayman Islands and BVI legal advisers to our Company, the above transfer of shares were also not subject to any regulatory approval in the Cayman Islands and the BVI.

Major shareholding changes and Pre-IPO Investments

Our Group received two rounds of Pre-IPO Investments, pursuant to which each of our Pre-IPO Investors subscribed for preferred shares of Aswann. Details of the Pre-IPO Investments and the subsequent transfers of shares between our Pre-IPO Investors are summarised below:

2010 Pre-IPO Investment

On 30 November 2010, a share subscription agreement was entered into between, among others, our Company, Aswann and HCM, pursuant to which HCM was issued and allotted 4,500 series A preferred shares of Aswann with par value of US$1 each for a total consideration of US$45,000,000, which was determined based on arm's length negotiations between the parties with reference to the agreed valuation of our Group at the time of the investment, taking into account the timing of the investment, the then status of the businesses carried out by our Group, the outlook/growth potential of our Group and the industry in which we operate in, the then values of the comparable companies on the stock markets, and the investment risks assumed by HCM in investing in an unlisted company (the "**2010 Pre-IPO Investment**"). The table below sets out the principal terms of the 2010 Pre-IPO Investment:

Name of our Pre-IPO Investor	HCM
Date of investment	30 November 2010
Number of series A preferred shares of Aswann subscribed	4,500
Number of Shares held after the completion of the Distribution and the Capitalisation Issue	492,556,918
Cost per preferred share paid	US$10,000
Investment cost per Share after giving effect to the Distribution and the Capitalisation Issue	US$0.091
Total consideration	US$45,000,000
Date on which the investment was fully settled	3 December 2010
Discount to the Offer Price[(1)]	93.96%

Note:

(1) Calculated based on the assumption that the Offer Price is HK$11.68 per Share, being the mid-point of the indicative Offer Price Range.

2011 Pre-IPO Investment

On 20 December 2011, a share subscription agreement was entered into between, among others, our Company, Aswann, HCM, Hai Fei and CCIL, pursuant to which HCM, Hai Fei and CCIL were issued and allotted an aggregate of 660 series A1 preferred shares of Aswann with par value of US$1 each for an aggregate consideration of US$10,033,783.79, which was determined based on arm's length negotiations between the parties with reference to the agreed valuation of our Group at the time of the investment, taking into account the timing of the investments, the then status of the businesses carried out by our Group, the outlook/growth potential of our Group and the industry in which we operate in, and the investment risks assumed by each of HCM, Hai Fei and CCIL in investing in an unlisted company (the "**2011 Pre-IPO Investment**"). The table below sets out the principal terms of the 2011 Pre-IPO Investments:

Name of our Pre-IPO Investor	**HCM**	**Hai Fei**	**CCIL**
Date of investment	20 December 2011	20 December 2011	20 December 2011
Number of series A1 preferred shares of Aswann subscribed	68	329	263
Number of Shares held after the completion of the Distribution and the Capitalisation Issue	7,443,082	36,000,000[(2)]	14,500,000[(3)]
Cost per preferred share paid	US$15,202.70	US$15,202.70	US$15,202.70
Investment cost per Share after giving effect to the Distribution and the Capitalisation Issue	US$0.140	US$0.140[(2)]	US$0.140[(3)]
Total consideration	US$1,033,783.79	US$5,001,689.19	US$3,998,310.81
Date on which the investment was fully settled	22 December 2011	21 December 2011[(3)]	5 January 2012
Discount to the Offer Price[(1)]	90.71%	90.71%	90.71%

Note:

(1) Calculated based on the assumption that the Offer Price is HK$11.68 per Share, being the mid-point of the indicative Offer Price Range.

(2) Hai Fei transferred its series A1 preferred shares of Aswann to Megatrend Investment Limited ("**Megatrend**"), which were subsequently transferred back to Hai Fei on 27 May 2020, as set out in the subsection headed "Share transfers between Hai Fei and Megatrend" below.

(3) CCIL subsequently transferred 33 and 99 series A1 preferred shares of Aswann to Allied Power Limited and Van Group Limited, respectively, as set out in the subsection headed "2018 Transfers" below.

Share transfers between Hai Fei and Megatrend

With a view to realising and divesting its investment in our Group, Hai Fei entered into a share purchase agreement with Megatrend on 10 July 2017, pursuant to which Hai Fei agreed to transfer, and Megatrend agreed to acquire, 329 series A1 preferred shares of Aswann for a total consideration of US$9,000,000 (the "**2017 Transfer**"). The consideration was determined based on arm's length negotiations between the parties with reference to the agreed valuation of our Group at the time of the transfer, taking into account the initial subscription price paid by Hai Fei for series A1 preferred shares of Aswann, and the estimated growth in the value of such shares in Aswann since the initial investment made by Hai Fei. Based on the information available to our Directors, Megatrend is a wholly owned subsidiary of Yiwu Longshu Yiding Equity Investment Limited Partnership (義烏龍樹義鼎股權投資合夥企業(有限企業)) and an Independent Third Party.

Hai Fei agreed to transfer such 329 series A1 preferred shares of Aswann to Megatrend prior to the payment of the consideration and Megatrend was registered as a holder of such preferred shares on 16 October 2017. Megatrend did not complete the payment of the consideration to Hai Fei by May 2020 as it had not obtained clearance in respect of the PRC foreign exchange registration to authorise the remittance of money out of the PRC to settle the consideration, following which Megatrend agreed to transfer such preferred shares back to Hai Fei. As a result, Hai Fei and Megatrend entered into another share purchase agreement on 27 May 2020 for the transfer of the same 329 series A1 preferred shares of Aswann from Megatrend to Hai Fei for a total consideration of US$9,000,000 (i.e. the same amount of consideration for the 2017 Transfer) (the "**2020 Transfer**"), which was off-set by the consideration payable by Megatrend pursuant to the 2017 Transfer. The 2020 Transfer was completed and fully settled on the same date. Following the completion of the 2020 Transfer, Hai Fei became the legal and beneficial owner of the 329 series A1 preferred shares of Aswann which it subscribed for under the 2011 Pre-IPO Investment.

2018 Transfers

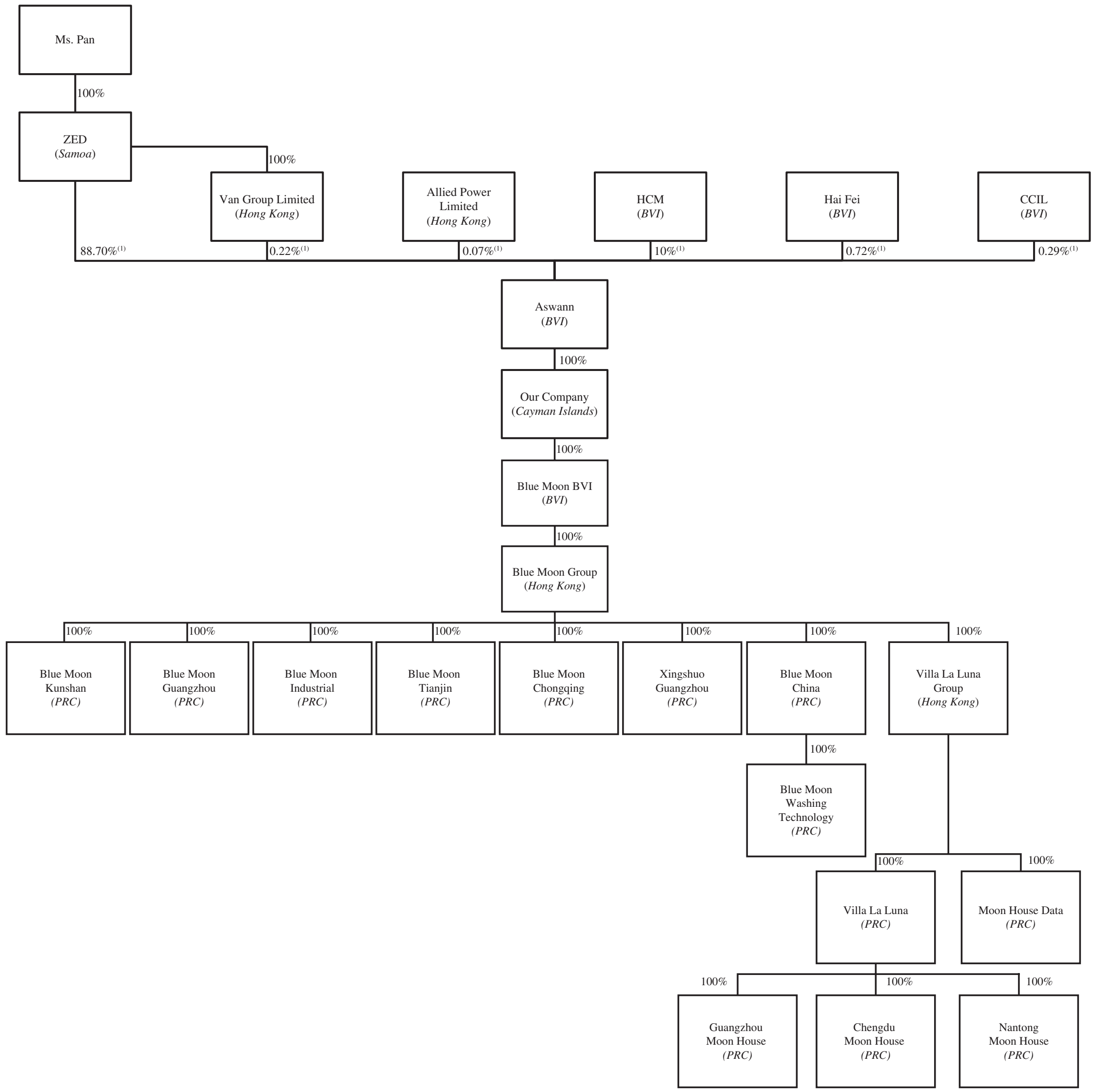
On 23 January 2018, CCIL entered into a share purchase agreement with each of Van Group Limited and Allied Power Limited, pursuant to which CCIL agreed to transfer, and Van Group Limited and Allied Power Limited agreed to acquire, 99 and 33 series A1 preferred shares of Aswann for a total consideration of US$3,007,308.55 and US$1,000,459.71, respectively (together, the "**2018 Transfers**"). The consideration was determined based on arm's length negotiations between the parties with reference to the agreed valuation of our Group at the time of the transfer, taking into account the initial subscription price paid by CCIL for series A1 preferred shares of Aswann, and the estimated growth in the value of such shares in Aswann since the initial investment made by CCIL. The share transfers to Van Group Limited and Allied Power Limited were completed and fully settled on 8 May 2018 and 17 April 2018, respectively.

The transfer of part of CCIL's shareholding in Aswann was made by CCIL to realise part of the gain of its investment in our Group.

Van Group Limited is an investment holding company incorporated in Hong Kong with no other investment other than its holding of series A1 preferred shares in Aswann. It is wholly owned by ZED and indirectly controlled by Ms. Pan. She acquired the 99 series A1 preferred shares of Aswann from CCIL because she has been a Controlling Shareholder for more than 10 years and has continued to have confidence in the business and development of our Group. Allied Power Limited is an investment holding company incorporated in Hong Kong with no other investment other than its holding of series A1 preferred shares in Aswann. It is wholly owned by Mr. Poon Kwok Leung, an executive Director, the chief financial officer and the company secretary of our Company. He acquired the 33 series A1 preferred shares of Aswann from CCIL as he regarded it as an opportunity for him to invest in our Group where he had been working for more than 10 years and to share in the future success of our Group.

Shareholding Structure following the Pre-IPO Investments and the Major Shareholding Changes

Immediately following the completion of the 2010 Pre-IPO Investment, the 2011 Pre-IPO Investment, the 2017 Transfer, the 2018 Transfers and the 2020 Transfer and prior to the shareholding restructuring and reorganisation as set out in the subsection headed "Shareholding Restructuring and Reorganisation" below, the shareholding structure of our Company is set out in the chart below:



Note:

(1) The shareholding percentage of each of the shareholders of Aswann represents the percentage of its respective voting rights at general meetings of Aswann as calculated by its respective holding of ordinary shares or preferred shares of Aswann, as the case may be.

Special Rights

In addition to the terms described above, our Company and the existing shareholders of Aswann entered into a restated shareholders agreement dated 20 December 2011 (as subsequently amended by a supplemental agreement on 11 June 2015) (the "**Shareholders Agreement**"), whereby our Pre-IPO Investors were granted certain special rights such as information rights, redemption and divestment rights, anti-dilution rights and veto rights on certain matters relating to our Group. As a result of the 2018 Transfers, each of CCIL, Van Group Limited and Allied Power Limited also entered into a deed of assignment, pursuant to which each of Van Group Limited and Allied Power Limited agreed to adhere to and be bound by the provisions under the Shareholders Agreement as if they were a party to the Shareholders Agreement as CCIL, with effect from the respective completion of the 2018 Transfers. As such, special rights granted to CCIL (being one of the Pre-IPO Investors) under the Shareholders Agreement are also applied to each of Van Group Limited and Allied Power Limited. Pursuant to the Deed of Amendment, (a) the redemption and divestment rights granted to our Pre-IPO Investors, Van Group Limited and Allied Power Limited have been held in abeyance since 28 June 2020 (unless and until the Listing does not take place), and (b) the Shareholders Agreement (including the redemption and divestment rights and other special rights) will be terminated upon the Listing. The Pre-IPO Investors, Van Group Limited and Allied Power Limited are parties to the Deed of Amendment and as such, the terms thereof are applicable to and binding on them.

Pursuant to the Shareholders Agreement, subject to compliance with applicable rules and regulations, we agreed to grant an option to each of the Pre-IPO Investors pursuant to which the Pre-IPO Investors and/or their respective designated affiliate(s) are entitled, together, to subscribe for up to an aggregate of 25% of the new Shares in a qualified IPO (the "**Anti-Dilution Option**"). The purpose of the Anti-Dilution Option is to allow the Pre-IPO Investors to maintain up to their respective existing shareholding in our Company upon completion of a qualified IPO.

In accordance with the terms of the Shareholders Agreement as set out above, we have granted the Anti-Dilution Option to each of the Pre-IPO Investors, pursuant to which each Pre-IPO Investor and/or its designated affiliate(s) are entitled, together, to subscribe for such number of Shares to be offered by our Company in a qualified IPO such that the percentage of Shares which each Pre-IPO Investor and/or its designate affiliate(s) will (directly and indirectly) hold immediately following the completion of a qualified IPO (including the exercise of any over-allotment option which may be granted by us to the underwriters of such qualified IPO) will be up to that immediately prior to the completion of such qualified IPO. In the event that there is more than one Pre-IPO Investor which exercises the subscription right under the Shareholders Agreement (and the Anti-Dilution Option granted thereunder) and that the aggregate number of Shares which all the exercising Pre-IPO Investors intend to subscribe for shall exceed 25% of the new issuance of Shares under a qualified IPO, each exercising Pre-IPO Investor shall have the right to subscribe for such number of new Shares which is proportionate to the number of ordinary shares in Aswann (calculated on an as-converted basis) or the number of Shares (if the Pre-IPO Investors hold Shares directly) held by such Pre-IPO Investor to the total number of ordinary shares of Aswann (calculated on an as-converted basis) or the total number of Shares (if the Pre-IPO Investors hold Shares directly) immediately prior to completion of such qualified IPO.

The Global Offering constitutes a qualified IPO under the Shareholders Agreement. HCM has partially exercised the Anti-Dilution Option granted to it, and the HCM Entities will subscribe for such number of Offer Shares in the Global Offering which will enable the HCM Entities to maintain their aggregate shareholding in our Company upon completion of the Global Offering of 9.3% (whether or not the Over-allotment Option is exercised in full) (the "**Anti-Dilution Subscription**"). The Anti-Dilution Subscription shall be made on the same terms and conditions as those generally offered to other investors under the Global Offering, and the Offer Shares subscribed by the HCM Entities in the Global Offering will rank *pari passu* with and have the same rights as other Offer Shares issued pursuant to the Global Offering. The other Pre-IPO Investors (being Hai Fei and CCIL) have confirmed to us that they will not exercise the Anti-Dilution Option granted to them.

Following completion of the Distribution and the Capitalisation Issue (but before the completion of the Global Offering), HCM will hold 500,000,000 Shares. Pursuant to the partial exercise of the Anti-Dilution

Option, the HCM Entities will subscribe for (i) 34,500,000 Shares in the Global Offering (assuming that the Over-allotment Option is not exercised) or (ii) 44,922,500 Shares in the Global Offering (assuming that the Over-allotment Option is exercised in full). If the Over-allotment Option is exercised in part only, the HCM Entities will subscribe for such number of Offer Shares which will result in the HCM Entities holding 9.3% shareholding in our Company following the exercise of the Over-allotment Option.

In light of the exercise of the Anti-Dilution Option and the Anti-Dilution Subscription, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, waiver from strict compliance with Rule 10.04 of the Listing Rules and consent pursuant to Paragraph 5(2) of Appendix 6 to the Listing Rules. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance" for further details of such waiver application.

Lock-up Undertakings

As agreed in the Deed of Amendment, in preparation for the Global Offering, each of our Pre-IPO Investors, Van Group Limited and Allied Power Limited has entered into a deed of lock-up undertaking on 23 November 2020 in favour of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters, pursuant to which Shares held by each of our Pre-IPO Investors, Van Group Limited and Allied Power Limited (excluding the Offer Shares to be subscribed by the HCM Entities under the Global Offering pursuant to the exercise of the Anti-Dilution Option) are subject to lock-up for a period of six months after the Listing.

Use of Proceeds and Strategic Benefits from Pre-IPO Investments

The proceeds raised from the 2010 Pre-IPO Investment and the 2011 Pre-IPO Investment were paid directly to our Company as directed by Aswann as funding for the general working capital of our Group. As at the Latest Practicable Date, all of the proceeds received by our Company from the Pre-IPO Investments had been utilised.

Our Directors believed that our Company has benefitted from the capital raised through the Pre-IPO Investments and the endorsement of our Company's performance, strength and prospects as reflected by the Pre-IPO Investments.

Public Float

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, ZED (directly and through Van Group Limited) will hold 77.36% of our issued Shares and be a substantial shareholder of our Company. Therefore, our Shares held by ZED and Van Group Limited will not be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.

Further, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, Allied Power Limited will hold 0.06% of our issued Shares. As Allied Power Limited is wholly owned by Mr. Poon Kwok Leung, an executive Director, the chief financial officer and the company secretary of our Company (being a core connected person of our Company), Allied Power Limited is a close associate of Mr. Poon Kwok Leung. Accordingly, our Shares held by Allied Power Limited will not be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.

Our Shares held by each of the Pre-IPO Investors will be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for each of the Pre-IPO Investments was settled at least 28 clear days prior to the date of the first submission of the listing application form to the Stock Exchange, (ii) the redemption and the divestment rights have been held in abeyance since 28 June 2020 (unless and until the Listing does not take place), and (iii) all special rights granted to any Pre-IPO Investor pursuant to the terms of the Pre-IPO Investments will be terminated upon the Listing, the Joint Sponsors are of the view that the Pre-IPO Investments are in compliance with Guidance Letters HKEX-GL29-12, HKEX-GL43-12 and HKEX-GL44-12.

Background Information about our Pre-IPO Investors

HCM

HCM is a company incorporated in the BVI on 25 November 2010, which is owned as to 95.32% by Gaoling Fund, L.P. and 4.68% by YHG Investment, L.P. (formerly known as Gaoling Yali Fund, L.P.). Gaoling Fund, L.P. and YHG Investment, L.P. are limited partnerships formed under the laws of the Cayman Islands. Hillhouse Capital serves as the sole investment manager of Gaoling Fund, L.P. and the general partner of YHG Investment, L.P.

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financials and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of global institutional clients.

Hai Fei

Hai Fei is an investment holding company incorporated in the BVI on 6 September 2011 and is wholly owned by Mr. Chen Rui Cheng, an individual investor and an Independent Third Party. Mr. Chen Rui Cheng is a private investor, who indirectly through Hai Fei, holds an investment portfolio which mainly comprises financial products in primary and secondary markets. Other than the series A1 preferred shares of Aswann, Hai Fei has also made investments in online credit platform, and various other equity and debt securities.

CCIL

CCIL is an investment holding company incorporated in the BVI on 24 November 2011 and is wholly owned by Mr. Tsoi Tung Leung Toro, an individual who is an Independent Third Party. Mr. Tsoi Tung Leung Toro is a private investor, who indirectly through CCIL, holds an investment portfolio which mainly comprises equity investments in the consumer industry. Other than the series A1 preferred shares in Aswann, CCIL has also made investments in other food manufacturing, and catering related investment projects.

SHAREHOLDING RESTRUCTURING AND REORGANISATION

In preparation for the Listing, our Group has undertaken the following shareholding restructuring and reorganisation steps:

Distribution

After our Company became the vehicle for the Listing and with a view to allowing the shareholders of Aswann (including our Pre-IPO Investors) to directly hold Shares in our Company, on 22 November 2020, (i) the board of directors of Aswann approved the proposal relating to the Distribution and recommended the declaration of a dividend by Aswann to be satisfied by way of a distribution in specie of Aswann's entire shareholding in our Company, which resulted in our Shares being distributed to the shareholders of Aswann in proportion to their respective holdings of ordinary shares and preferred shares (on an as if converted basis on a ratio of 1 preferred share to 1 ordinary share), and (ii) all the shareholders of Aswann approved the Distribution. The Distribution was completed on 22 November 2020.

As advised by the legal advisers to our Company, (a) the Distribution was legal and valid under the applicable laws and regulations, and (b) no regulatory approval or consent was required in the PRC, the Cayman Islands and the BVI for the Distribution.

Capitalisation Issue

In preparation for the Global Offering, our Company will allot and issue a total of 4,999,990,000 Shares credited as fully paid at the par value of HK$0.01 each to the holders of Shares whose names appear on the register of members of our Company at the close of business on the business day immediately preceding the Listing Date in proportion to their respective shareholdings (save that no Shareholder will be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK$49,999,900 standing to the credit of the share premium account of our Company as a result of the issue of the Offer Shares pursuant to the Global Offering (the "**Capitalisation Issue**"). Our Shares to be allotted and issued under the Capitalisation Issue will rank *pari passu* in all respects with the existing issued Shares and the Offer Shares.

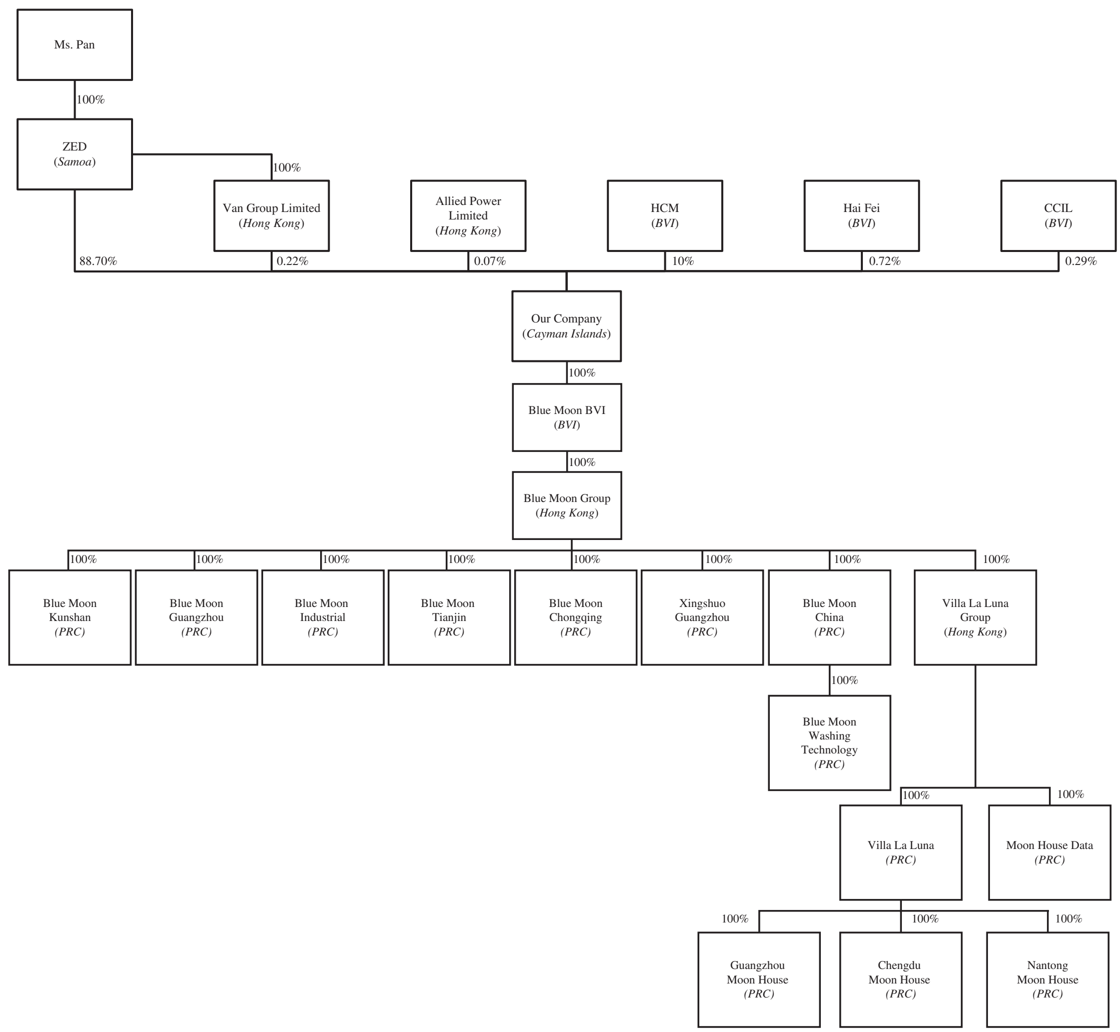
PRE-IPO SHARE OPTION SCHEME

On 23 September 2020, we adopted the Pre-IPO Share Option Scheme. Please refer to the section headed "Appendix V – Statutory and General Information – D. Pre-IPO Share Option Scheme" for details.

CORPORATE STRUCTURE

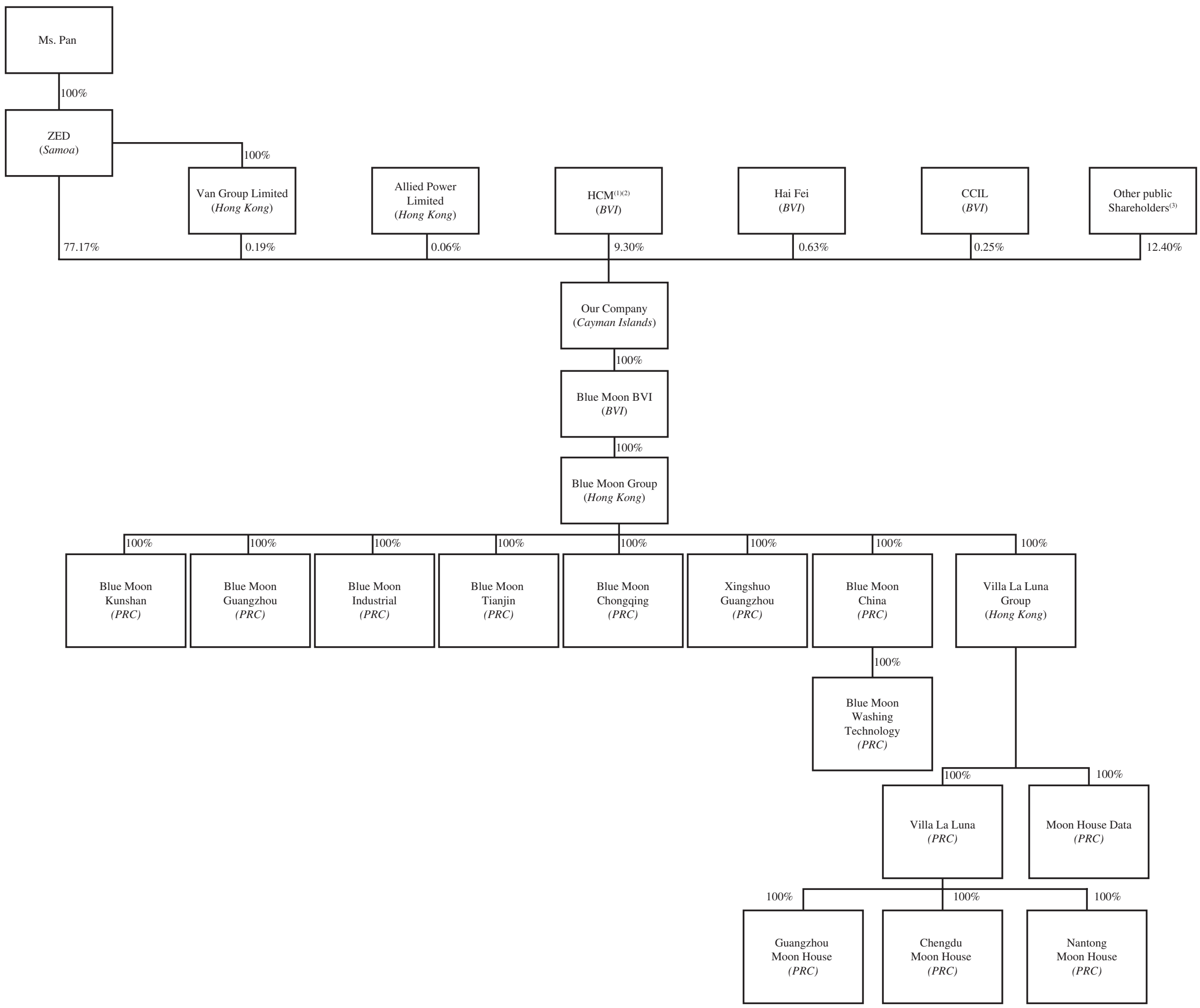
Corporate structure as at the date of this prospectus

The corporate structure of our Group as at the date of this prospectus (being the date after the completion of the Distribution) is as follows:



Corporate structure immediately following the completion of the Global Offering

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and not taking into account any Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, the corporate structure of our Group will be as follows:



Notes:

(1) Following the exercise of the Anti-Dilution Option and the Anti-Dilution Subscription as set out in the subsection headed "Major Shareholding Changes and Pre-IPO Investment – Special Rights" of this prospectus, Shares held by the HCM Entities upon the completion of the Global Offering will be counted towards our public float for the purpose of the Listing Rules.

(2) Includes such Offer Shares to be subscribed by the HCM Entities pursuant to the partial exercise of the Anti-Dilution Option by HCM. Please refer to the subsection headed "Major Shareholding Changes and Pre-IPO Investment – Special Rights" for details.

(3) Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance - 4. Waiver in respect of Public Float Requirements" for details in respect of public float requirements applicable to us.

(4) The aggregate shareholding percentage of the HCM Entities, Hai Fei, CCIL and other public Shareholders is approximately 22.58% immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares have been issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme).

PRC LEGAL COMPLIANCE

SAFE Registration and ODI Registration in the PRC

According to the SAFE Circular 75 and the SAFE Circular 37 (which replaced the SAFE Circular 75), a domestic resident individual shall, before contributing the domestic and overseas lawful assets or interests to a special purpose vehicle, apply to the foreign exchange office for foreign exchange registration of their overseas investments. The PRC legal advisers to our Company advised that as Ms. Pan, Mr. Poon Kwok Leung (the shareholder of Allied Power Limited), Mr. Tsoi Tung Leung Toro (the shareholder of CCIL) and Mr. Chen Rui Cheng (the shareholder of Hai Fei) are not PRC domestic resident individuals, they are not required to apply for such registration.

M&A Rules

As advised by the PRC legal advisers to our Company, the M&A Rules are not applicable to the Listing of our Company and it is unnecessary for our Group to obtain the approval of the China Securities Regulatory Commission or any other PRC government authorities in respect of the Listing of our Company for the following reasons:

(i) Ms. Pan is a Canadian citizen;

(ii) in October 2003, when Blue Moon Group acquired the entire equity interest of Blue Moon Industrial from Mr. Luo and Mr. Luo Wengui, the M&A Rules were not in effect; and

(iii) our Company and our Controlling Shareholders have complied with all the relevant rules and regulations imposed by the relevant PRC government authorities in respect of the Listing of our Company and the conversion of Blue Moon Industrial from a domestic company to a wholly foreign owned company and all relevant approvals in relation thereto have been obtained.

*The information and statistics set out in this section have been extracted, in part, from various official governmental and official publications and a market research report prepared by Frost & Sullivan (the "**Frost & Sullivan Report**") and commissioned by us. We believe that these sources are appropriate sources for such information and statistics and reasonable care has been exercised by us in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Neither our Company nor any of the Relevant Persons (which, for the purpose of this paragraph, excludes Frost & Sullivan) has independently verified such information and statistics. Neither our Company nor any of the Relevant Persons makes any representation as to the accuracy of such information and statistics set forth in this section or elsewhere in this prospectus. Accordingly, the information and statistics set out in this section should not be unduly relied upon.*

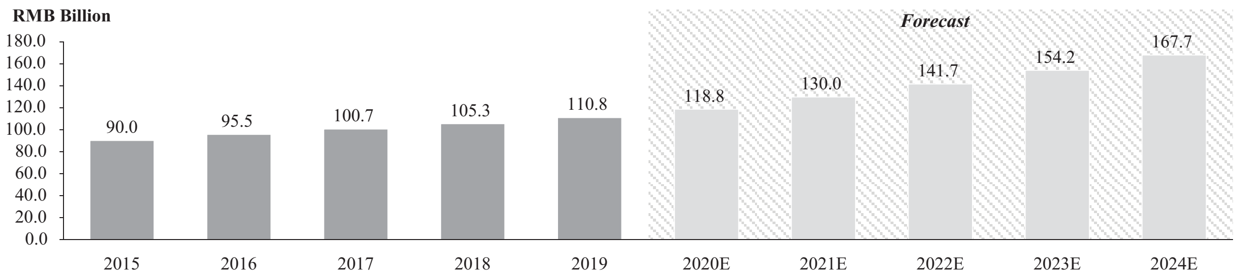
OVERVIEW OF CHINA'S HOUSEHOLD CARE INDUSTRY

The household care industry encompasses a wide range of segments from fabric care and personal hygiene to home care.

Fast growing household care market with the largest potential among major economies: According to the Frost & Sullivan Report, total retail sales value of China's household care industry grew at a CAGR of 5.3% from RMB90.0 billion in 2015 to RMB110.8 billion in 2019, representing a faster growth than that of the global household care industry which grew at a CAGR of 2.5% in the corresponding period. From 2019 to 2024, the total retail sales value of China's household care industry is expected to continue to grow at a CAGR of 8.7% and reach RMB167.7 billion in 2024, accounting for over one third of the growth in the global household care industry during the same period, according to the Frost & Sullivan Report. Frost & Sullivan anticipates that growth of China's household care industry will exceed the estimated growth of the global household care industry and the household care industries of other economies, enabling China to expand its market share of the global household care industry. According to the Frost & Sullivan Report, China's market share of the global household care industry in terms of total retail sales value is expected to increase from 11.8% in 2019 to 15.2% in 2024. The growth is expected to be driven by consumers in China becoming increasingly aware of health and hygiene and rising living standards, which in turn will lead to greater demand for household care products amongst Chinese consumers. Moreover, as household care products have become daily necessities of Chinese consumers, the household care industry tends to be more resilient than other industries in economic downturns. According to the Frost & Sullivan Report, notwithstanding the decrease in China's total retail sales of consumer goods by 19% in the first quarter of 2020, the COVID-19 outbreak had a relatively modest negative impact on the household care industry, and instead resulted in an increase in demand for household care products as consumers were changing their household routines and cleaning habits, including washing hands and clothes more frequently and disinfecting their homes regularly. The following charts set forth the historical and expected total retail sales value of China's household care industry from 2015 to 2024 and its market share of the global household care industry in 2015, 2019 and 2024.

Market Size of Household Care Industry (China), 2015-2024E

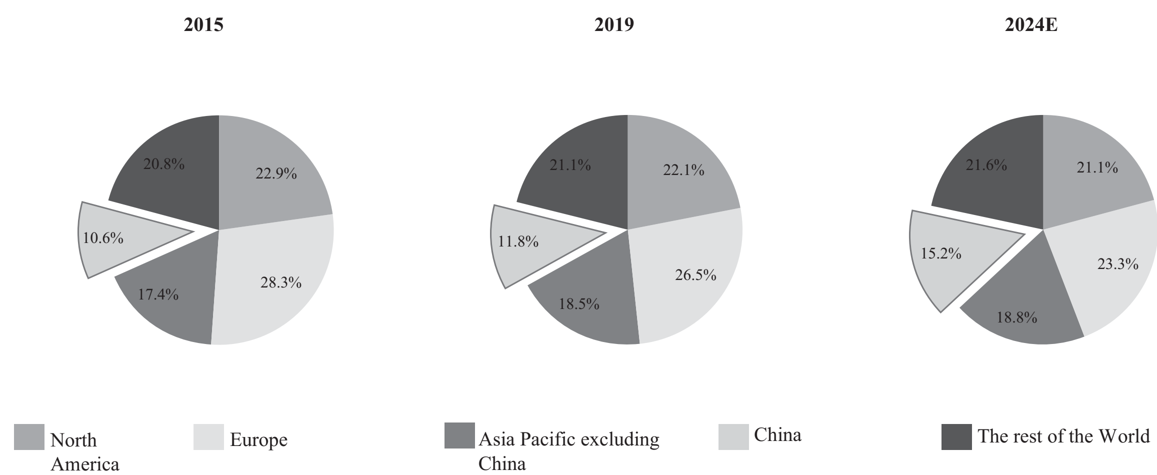
CAGR	2015-2019	2019-2024E
Household Care	5.3%	8.7%



Source: Frost & Sullivan Report

Market Size Breakdown of Household Care Industry by Region (Global), 2015&2019&2024E

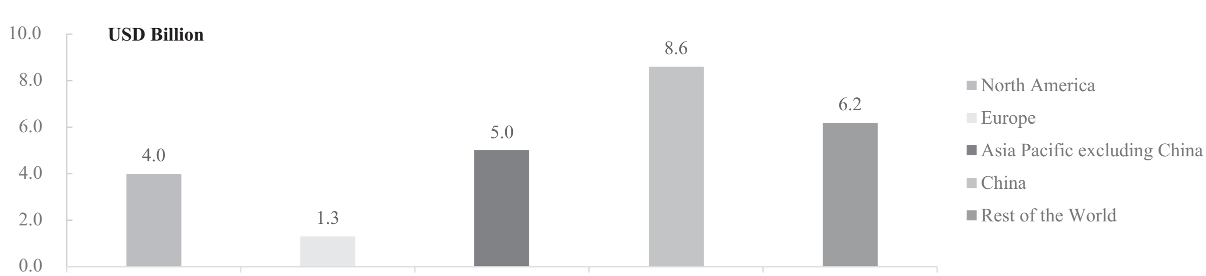
CAGR	2015-2019	2019-2024E
North America	1.6%	2.4%
Europe	0.9%	0.7%
Asia Pacific excluding China	4.1%	3.6%
China	5.3%	8.7%
Rest of the World	2.9%	3.8%



Source: Frost & Sullivan Report

The following chart sets forth the incremental market size in terms of total retail sales value of the global household care industry by region from 2019 to 2024.

Market Size Incremental Comparison of Household Care Industry (Major Regions), 2019-2024E

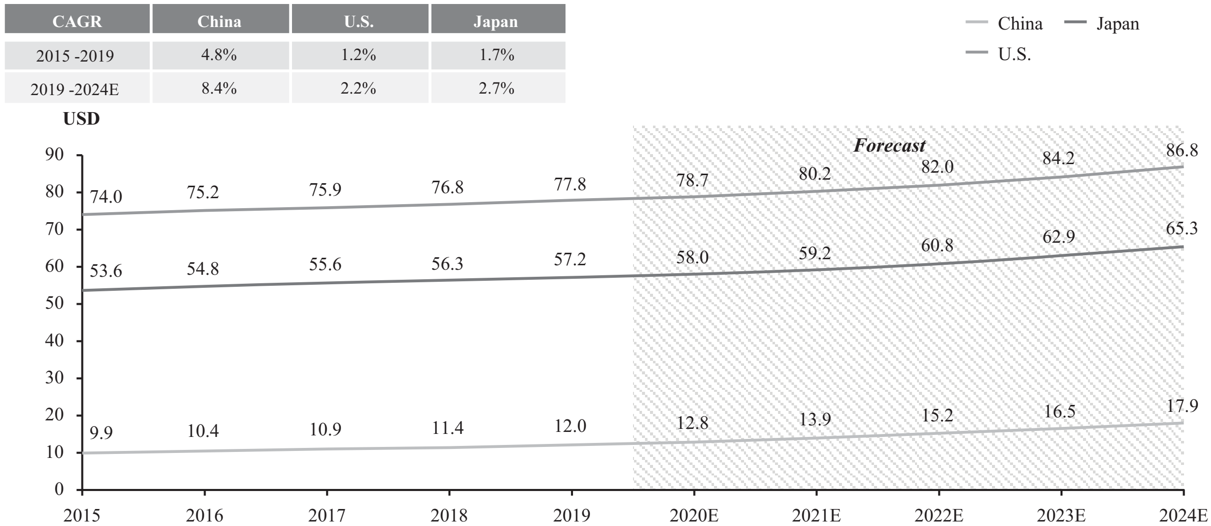


Source: Frost & Sullivan Report

Large potential for growth in per capita spending on household care products: According to the Frost & Sullivan Report, per capita spending on household care products in China increased from US$9.9 in 2015 to US$12.0 in 2019, representing a CAGR of 4.8%. Although China's per capita spending on household care products has historically been, and is expected to continue to be, lower than that of other major economies, including the U.S. and Japan, it has grown at a faster rate than such economies. As consumers in China have an increasing demand for high-quality household care products, the per capita spending on household care products in China is expected to reach US$17.9 by 2024. The following chart sets forth the per capita spending on household care products of major economies from 2015 to 2024.

Per Capita Spending on Household Care Products (Major Economies), 2015-2024E

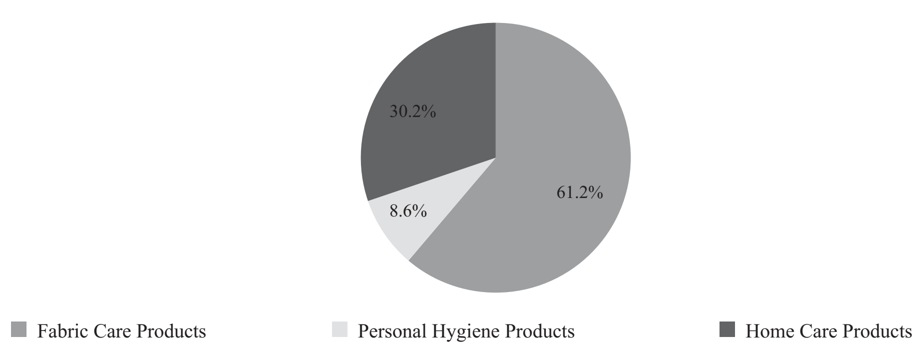
CAGR	China	U.S.	Japan
2015 -2019	4.8%	1.2%	1.7%
2019 -2024E	8.4%	2.2%	2.7%



Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, in 2019, the retail sales value of fabric care products, personal hygiene products and home care products in China amounted to RMB67.8 billion, RMB9.5 billion and RMB33.5 billion, respectively, contributing to 61.2%, 8.6% and 30.2% of the total retail sales value of household care products in China, respectively.

Market Size of Household Care Industry Breakdown by Category (China), 2019



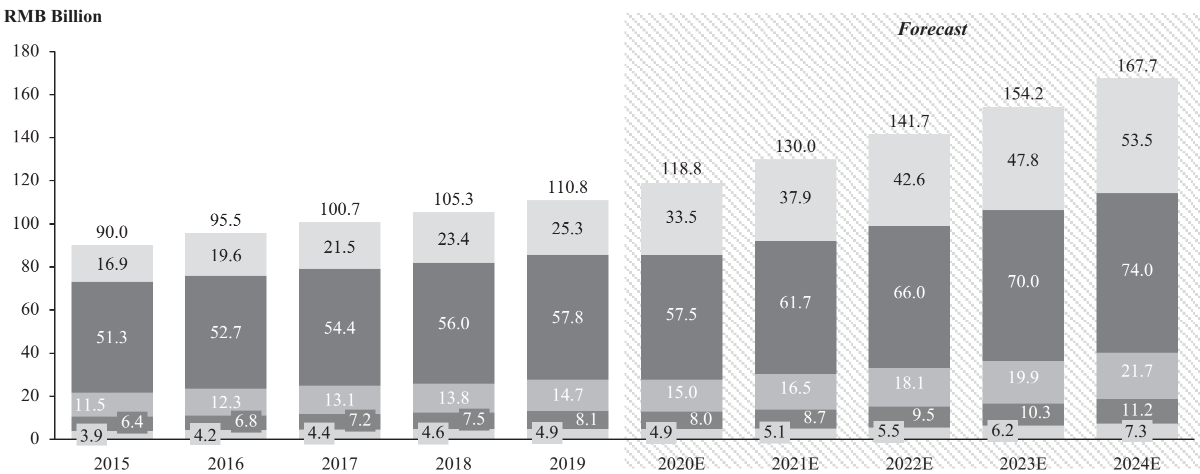
Source: Frost & Sullivan Report

Benefitting from the development of e-commerce platforms in China, the online retail channel has become the fastest growing retail channel in China's household care industry, with a CAGR of 10.6% from 2015 to 2019, and is expected to continue to grow at a CAGR of 16.2% from 2019 to 2024 based on data from the Frost & Sullivan Report. By 2024, the total retail sales value of household care products generated from online retail channel in China is expected to reach RMB53.5 billion, accounting for 31.9% of China's overall household care market, according to the Frost & Sullivan Report. The following chart provides a breakdown of total retail sales value of China's household care industry by retail channel from 2015 to 2024.

Market Size of Household Care Industry by Retail Channel (China), 2015-2024E

CAGR	2015-2019	2019-2024E
Total	5.3%	8.7%
Online	10.6%	16.2%
Hypermarkets & Supermarkets	3.0%	5.1%
Chain Stores	6.4%	8.1%
Non-chain Grocery Stores	5.9%	6.8%
Others	5.6%	8.5%

Online
Hypermarkets & Supermarkets[(1)]
Chain Stores[(2)]
Non-chain Grocery Stores[(3)]
Others[(4)]



Notes:

(1) Hypermarkets & supermarkets are self-service stores where the prices of goods are marked on the goods themselves or on shelves with an operation area of more than 1,000 sq.m. or an operation area of between 800 sq.m. to 1,000 sq.m. and more than three cashier stands.

(2) Chain stores are self-service stores where prices of goods are marked on the goods themselves or on shelves with an operation area of less than 800 sq.m. or an operation area of between 800 sq.m. to 1,000 sq.m. and fewer than three cashier stands.

(3) Non-chain grocery stores are stores that sell cigarettes, alcohol, soft drinks and/or more than one type of food.

(4) Others includes gas stations, self-operated stores and cosmetics stores.

Source: *Frost & Sullivan Report*

OVERVIEW OF CHINA'S FABRIC CARE AND LIQUID LAUNDRY DETERGENT MARKET

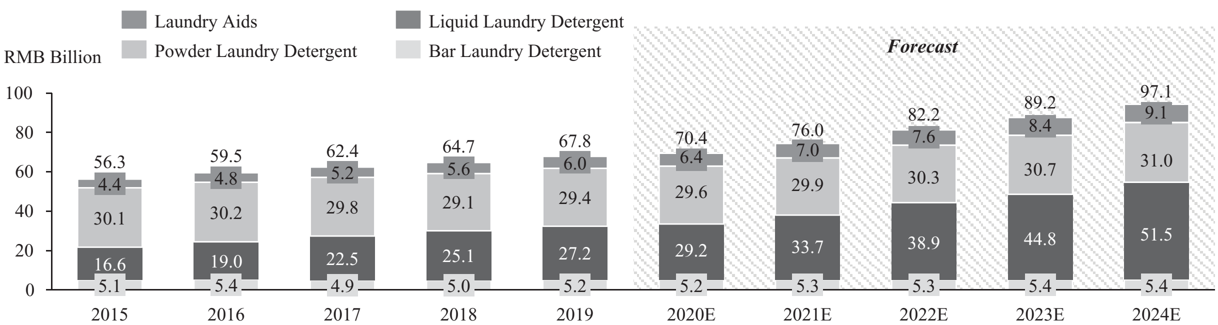
According to the Frost & Sullivan Report, fabric care products consist of two main categories, namely laundry detergent products and laundry aids, based on the products' function. Laundry detergent products are cleaning agents suitable for fabric washing, typically in the form of liquid laundry detergent, powder laundry detergent and bar laundry detergent. Laundry aids are laundry products which facilitate the cleaning process, including fabric softener, fabric conditioner and fabric brightener.

Steady growth in China's fabric care market: According to the Frost & Sullivan Report, the fabric care market represents the largest segment of the household care market in China, with a retail sales value of RMB67.8 billion in 2019, accounting for 61.2% of the overall market share of the household care market in

2019. According to the Frost & Sullivan Report, the market size of China's fabric care market by retail sales value increased from RMB56.3 billion in 2015 to RMB67.8 billion in 2019, representing a CAGR of 4.8% from 2015, and is expected to continue to grow at a CAGR of 7.4% from 2019 to reach RMB97.1 billion in 2024. The following chart sets forth the breakdown of retail sales value of the fabric care market by product from 2015 to 2024.

Retail Sales Value of Fabric Care Market Breakdown by Product (China), 2015-2024E

CAGR	Total	Laundry Aids	Powder Laundry Detergents	Liquid Laundry Detergents	Bar Laundry Detergents
2015-2019	4.8%	8.0%	-0.6%	13.1%	0.3%
2019-2024E	7.4%	8.7%	1.1%	13.6%	0.9%

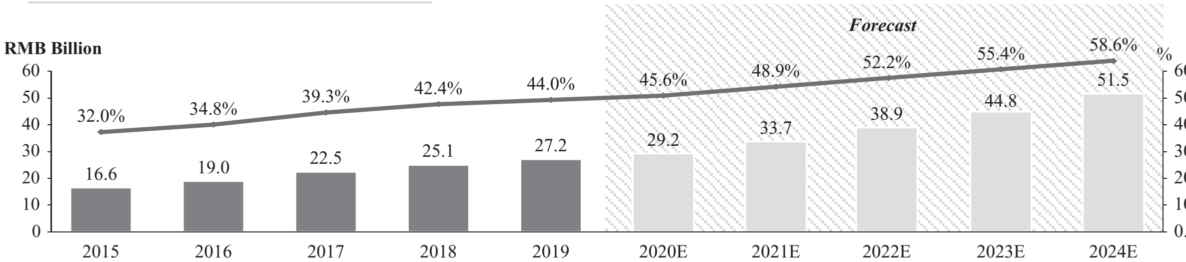


Source: Frost & Sullivan Report

Shift from powder to liquid laundry detergents: According to the Frost & Sullivan Report, consumers in China have gradually shifted from relying on powder laundry detergents to increasingly preferring liquid laundry detergents due to their enhanced convenience and reduced after-wash issues. Retail sales value of liquid laundry detergents grew rapidly at a CAGR of 13.1% from 2015 to 2019, reaching RMB27.2 billion in 2019, while retail sales value of powder laundry detergents decreased at a compound annual rate of 0.6% during that period, according to the Frost & Sullivan Report. In addition, China's liquid laundry detergent market has a large potential for future growth. According to the Frost & Sullivan Report, the penetration rate of liquid laundry detergents, representing the retail sales value of liquid laundry detergents as a percentage of total retail sales value of laundry detergents, was 44.0% in China as of 2019, which was significantly lower than that of other major economies such as Japan (79.5%) and the U.S. (91.4%), indicating that there would be headroom for the further substitution of powder laundry detergents by liquid laundry detergents in China's laundry detergent market. As a result, the penetration rate of liquid laundry detergents is expected to continue to increase and reach 58.6% in 2024, and the total retail sales value of liquid laundry detergents is projected to continue to grow at a CAGR of 13.6% from 2019 to reach RMB51.5 billion in 2024, accordingly to the Frost & Sullivan Report. The following charts set forth the breakdown of retail sales value of liquid laundry detergents from 2015 to 2024 and the penetration rate of liquid laundry detergents in China, the U.S. and Japan in 2019.

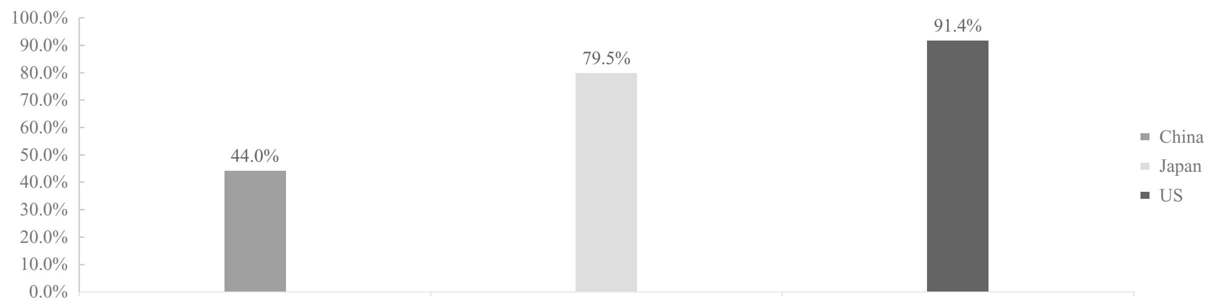
Retail Sales Value of Liquid Laundry Detergent Market (China), 2015-2024E

CAGR	Liquid Laundry Detergents
2015-2019	13.1%
2019-2024E	13.6%



Source: *Frost & Sullivan Report*

Penetration Rate of Liquid Laundry Detergents (Major Economies)[(1)], 2019



Note:

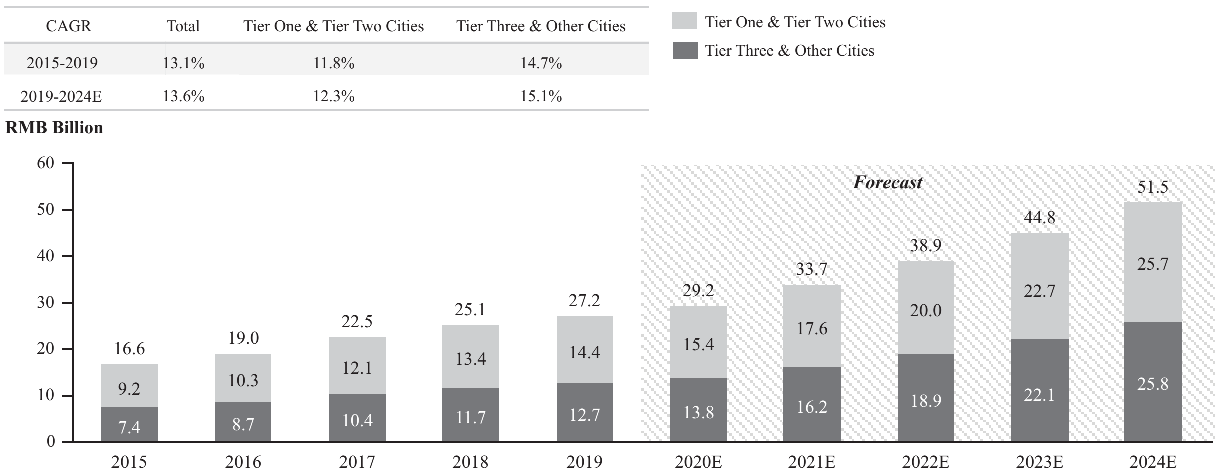
(1) Penetration rate refers to the retail sales value of liquid laundry detergents as a percentage of total retail sales value of laundry detergents.

Source: *Frost & Sullivan Report*

Large growth potential for all tiers of cities: In recent years, consumers in all tiers of cities in China have showed a growing willingness to try liquid laundry detergents. According to the Frost & Sullivan Report, the retail sales value of liquid laundry detergents in tier one and tier two cities grew at a CAGR of 11.8% from 2015 to 2019, while the same in tier three and other lower tier cities grew at a CAGR of 14.7% from 2015 to 2019. Sales of liquid laundry detergents in tier one and tier two cities are expected to further increase at a CAGR of 12.3% from 2019 to 2024, serving as a driving force for further expansion of the market for liquid laundry detergents, according to the Frost & Sullivan Report. As the living standards in tier three and other lower tier cities continue to improve, sales of liquid laundry detergents in tier three and other lower tier cities have significant growth potential and are expected to increase at a CAGR of 15.1% from 2019 to 2024, according to the Frost & Sullivan Report. The following chart sets forth the retail sales value of the liquid laundry detergent market by city tier in China from 2015 to 2024.

Retail Sales Value of Liquid Laundry Detergent Breakdown by City Tier (China), 2015-2024E

CAGR	Total	Tier One & Tier Two Cities	Tier Three & Other Cities
2015-2019	13.1%	11.8%	14.7%
2019-2024E	13.6%	12.3%	15.1%

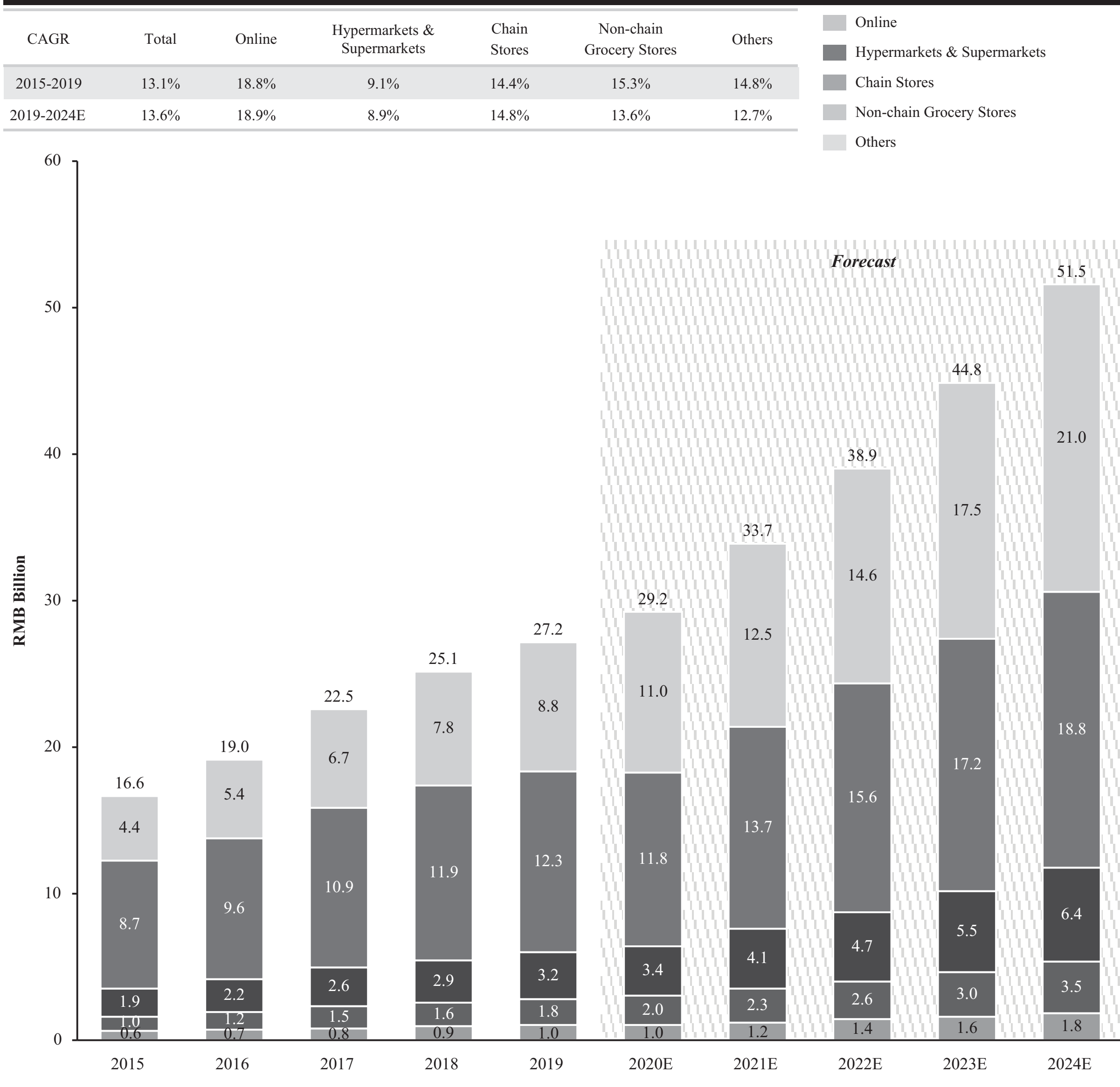


Source: Frost & Sullivan Report

Large growth potential for online retail channel: According to the Frost & Sullivan Report, the retail sales value of liquid laundry detergents generated from online retail channel in China grew at a CAGR of 18.8% from 2015 to 2019, representing the fastest growth among all retail channels of the liquid laundry detergent market in China, and is expected to continue to grow at a CAGR of 18.9% from 2019 to 2024. The following chart sets forth the retail sales value of the liquid laundry detergent market by retail channel in China from 2015 to 2024.

Retail Sales Value of Liquid Laundry Detergents Market Breakdown by Retail Channel (China), 2015-2024E

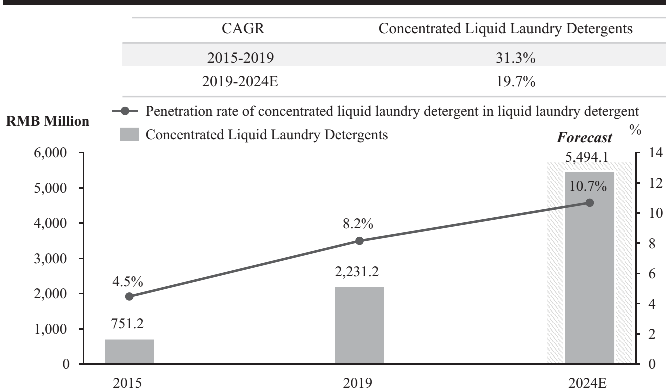
CAGR	Total	Online	Hypermarkets & Supermarkets	Chain Stores	Non-chain Grocery Stores	Others
2015-2019	13.1%	18.8%	9.1%	14.4%	15.3%	14.8%
2019-2024E	13.6%	18.9%	8.9%	14.8%	13.6%	12.7%



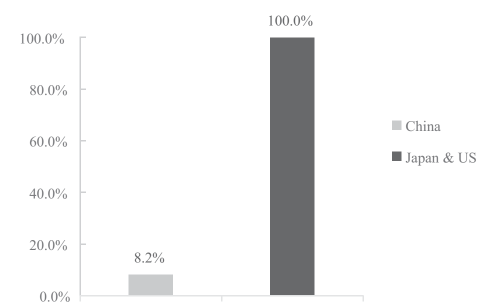
Source: *Frost & Sullivan Report*

Increasing prevalence of concentrated liquid laundry detergents: Concentrated liquid laundry detergents feature high surfactant level above 25% as compared to standard liquid laundry detergents. According to the Frost & Sullivan Report, consumers in China have a growing interest in concentrated liquid laundry detergents due to their better cleaning results and enhanced convenience. The retail sales value of concentrated liquid laundry detergents grew at a CAGR of 31.3% from RMB751.2 million in 2015 to RMB2,231.2 million in 2019, and it is anticipated that the use of concentrated liquid laundry detergents will become increasingly prevalent amongst Chinese households in the long term according to the Frost & Sullivan Report. In 2019, the penetration rate of concentrated liquid laundry detergents in China, representing the retail sales value of concentrated liquid laundry detergents as a percentage of total retail sales value of liquid laundry detergents, was 8.2%, trailing behind the penetration rate of concentrated liquid laundry detergents in major economies, such as the U.S. and Japan, where penetration rates reached 100.0%. Although the market for concentrated liquid laundry detergents in China is still in its early stages, it has grown and is expected to grow more rapidly than the markets for such products in other major economies. According to the Frost & Sullivan Report, the retail sales value of concentrated liquid laundry detergents is expected to grow at a CAGR of 19.7% from 2019 to reach RMB5,494.1 million in 2024. The following charts set forth the retail sales value of the concentrated liquid laundry detergent market in China from 2015 to 2024 and the penetration rate of concentrated liquid laundry detergents of China, the U.S. and Japan in 2019.

Retail Sales Value of Concentrated Liquid Laundry Detergent Market (China), 2015-2024E



Penetration Rate of Concentrated Liquid Laundry Detergents (Major Economies)(1), 2019



Note:

(1) Penetration rate refers to the retail sales value of concentrated liquid laundry detergents as a percentage of total retail sales value of liquid laundry detergents.

Source: Frost & Sullivan Report

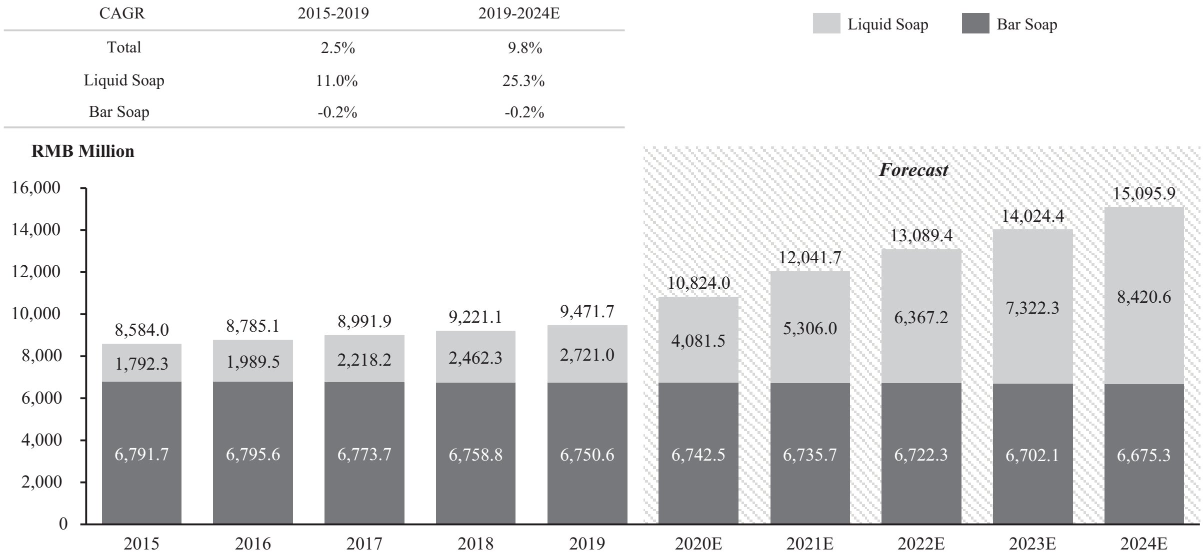
OVERVIEW OF CHINA'S PERSONAL HYGIENE MARKET AND LIQUID SOAP MARKET

According to the Frost & Sullivan Report, personal hygiene products can be divided into two main categories, namely bar soap and liquid soap, based on the form of the products.

Large potential for growth of China's personal hygiene market: According to the Frost & Sullivan Report, awareness about personal health and hygiene amongst Chinese consumers has significantly increased since the outbreaks of the severe acute respirations syndrome ("**SARS**") and H1N1, which prompted a surge in demand for personal hygiene products. According to the Frost & Sullivan Report, the market size of China's personal hygiene market by retail sales value increased from RMB8.6 billion in 2015 to RMB9.5 billion in 2019, representing a CAGR of 2.5% from 2015, and is expected to continue to grow at a CAGR of 9.8% from 2019 to reach RMB15.1 billion in 2024. The following chart provides a breakdown of retail sales value of the personal hygiene market by product type in China from 2015 to 2024.

Retail Sales Value of Personal Hygiene Market Breakdown by Product Type (China), 2015-2024E

CAGR	2015-2019	2019-2024E
Total	2.5%	9.8%
Liquid Soap	11.0%	25.3%
Bar Soap	-0.2%	-0.2%

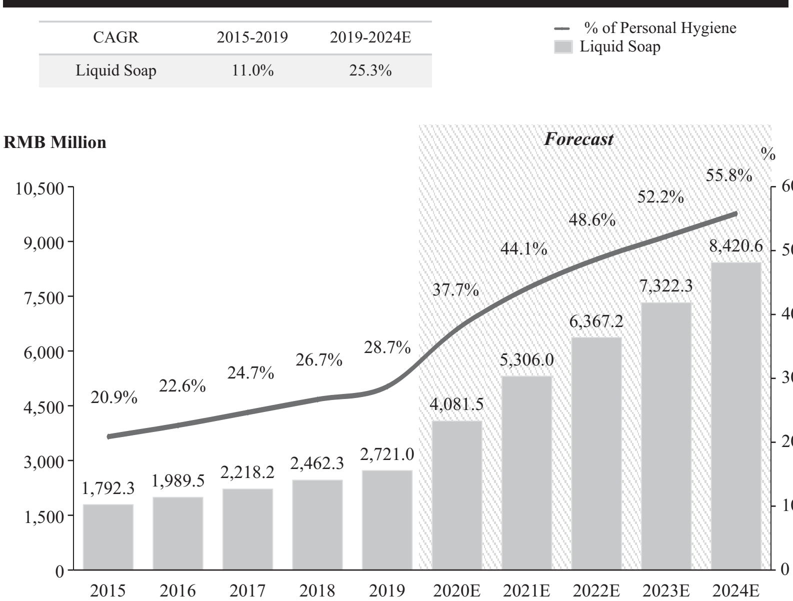


Source: Frost & Sullivan Report

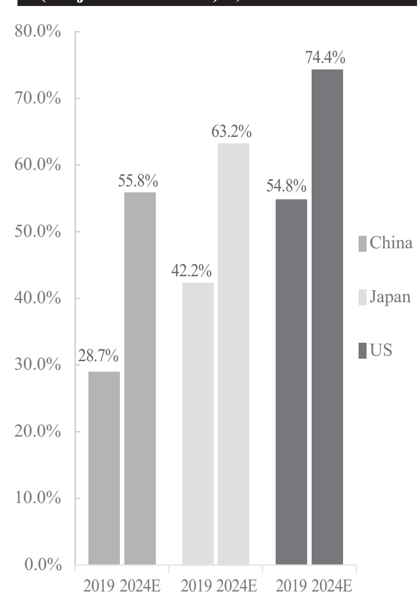
Shift from bar soap to liquid soap: The use of bar soap has declined as consumers in China increasingly shift to using liquid soap, which causes less skin irritation and has lower risk of infection than bar soap. This market shift was driven by rising awareness of personal hygiene and the ongoing trend of consumption upgrade across China, whereby consumers with greater disposable income increasingly traded up for premium goods and products. According to the Frost & Sullivan Report, the market size of China's liquid soap market by retail sales value increased from RMB1.8 billion in 2015 to RMB2.7 billion in 2019, representing a CAGR of 11.0%, while the market size of China's bar soap market by retail sales value decreased at a compound annual rate of 0.2% during that period. In addition, Frost & Sullivan anticipates that the use of liquid soap will become increasingly prevalent amongst Chinese households. In 2019, the penetration rate of liquid soap, representing the retail sales value of liquid soap as a percentage of total retail sales value personal hygiene products, is 28.7% in China, which is significantly lower than that of other major economies, such as Japan (42.2%) and the U.S. (54.8%), indicating the potential for further substitution of bar soap by liquid soap in China. As the penetration rates of liquid soap in Japan and the U.S. are expected to continue to grow, it is expected that the penetration rate of liquid soap in China would reach 55.8% in 2024, and the market size of China's liquid soap market by retail sales value is expected to continue to grow at a CAGR of 25.3% from 2019 to reach RMB8.4 billion in 2024 according to the Frost & Sullivan Report. The following charts set forth the retail sales value of liquid soap sold in China from 2015 to 2024 and the penetration rate of liquid soap sold in major economies in 2019 and 2024.

Retail Sales Value of Liquid Soap Market (China), 2015-2024E

CAGR	2015-2019	2019-2024E
Liquid Soap	11.0%	25.3%



Penetration Rate of Liquid Soap (Major Economies)[(1)], 2019 and 2024E



Note:

(1) Penetration rate refers to the retail sales value of liquid soap as a percentage of total retail sales value personal hygiene products.

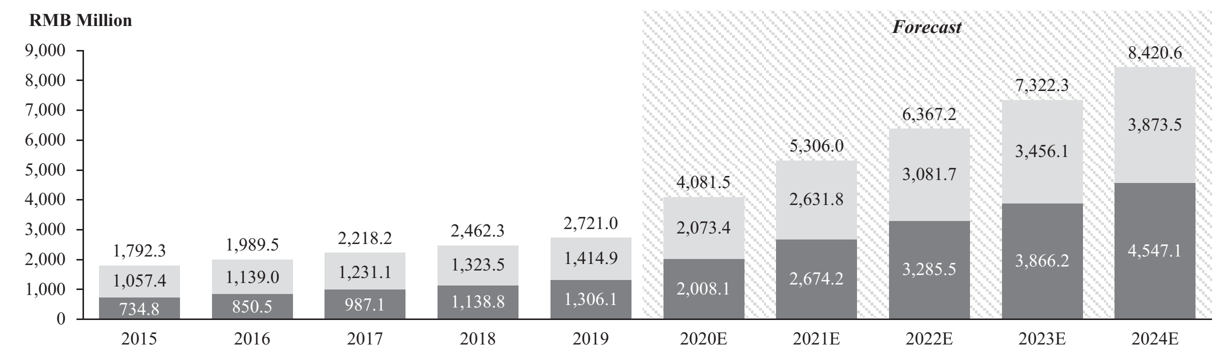
Source: Frost & Sullivan Report

Large growth potential for all tiers of cities: With an increasing prevalence of liquid soap in all tiers of cities in China, the retail sales value of liquid soap in tier one and tier two cities grew at a CAGR of 7.6% from 2015 to 2019, while the same in tier three and other lower tier cities grew at a higher CAGR of 15.5% from 2015 to 2019 due to a relatively low penetration rate at the beginning of the period, according to the Frost & Sullivan Report. Sales of liquid soap in tier one and tier two are expected to increase at a CAGR of 22.3% from 2019 to 2024, and such sales in tier three and other lower tier cities are expected to further increase at a CAGR of 28.3% over the same period, partially due to the increasing health and hygiene awareness, according to the Frost &

Sullivan Report. The following chart sets forth the retail sales value of the liquid soap market by city tier in China from 2015 to 2024.

Retail Sales Value of Liquid Soap Market Breakdown by City Tier (China), 2015-2024E

CAGR	2015-2019	2019-2024E
Total	11.0%	25.3%
Tier One & Tier Two cities	7.6%	22.3%
Tier Three and other cities	15.5%	28.3%



Source: Frost & Sullivan Report

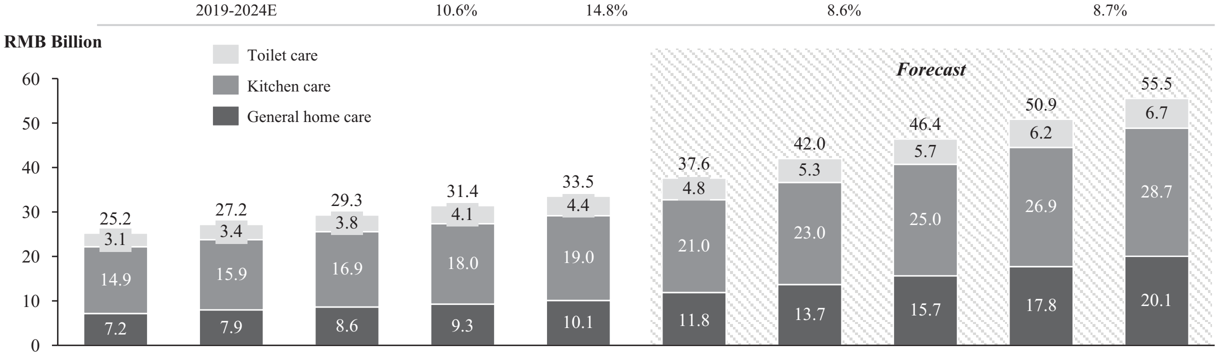
OVERVIEW OF CHINA'S HOME CARE MARKET

According to the Frost & Sullivan Report, home care products are products that assist consumers in performing a variety of daily household cleaning tasks. Based on how they are applied, home care products can be categorised into three main types, namely general home care, kitchen care and toilet care products, according to the Frost & Sullivan Report.

Fast growth in China's home care market: Driven by the growth in consumerism and increased purchasing power amongst Chinese consumers, the market size of China's home care market by retail sales value increased from RMB25.2 billion in 2015 to RMB33.5 billion in 2019, representing a CAGR of 7.4%, and is expected to continue to grow at a CAGR of 10.6% from 2019 to reach RMB55.5 billion in 2024, according to the Frost & Sullivan Report. In the future, it is expected that market participants will further invest in quality products and expand their product portfolio to meet the demands of different consumer groups, which will further boost market growth. The following chart sets forth the retail sales value of the home care market in China from 2015 to 2024.

Retail Sales Value of Home Care Market (China), 2015-2024E

CAGR	Total	General Home Care	Kitchen Care	Toilet Care
2015-2019	7.4%	8.9%	6.3%	8.9%
2019-2024E	10.6%	14.8%	8.6%	8.7%



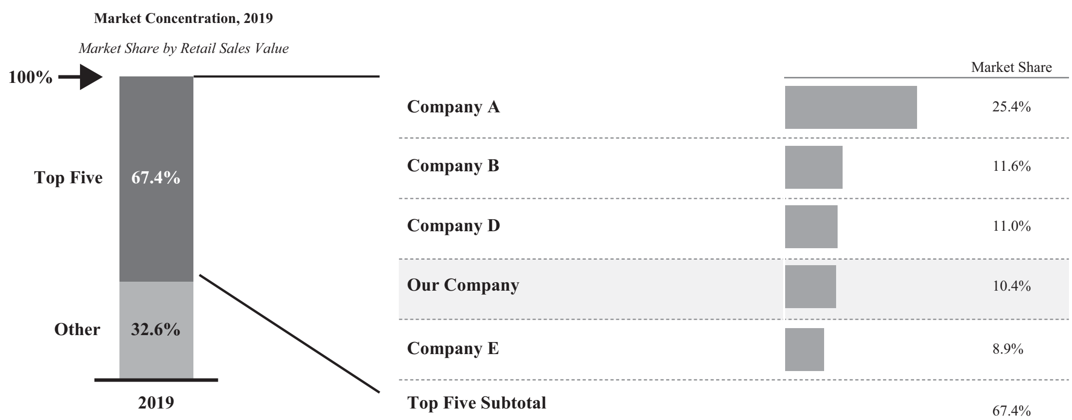
Source: Frost & Sullivan Report

COMPETITIVE LANDSCAPE

Fabric Care

According to the Frost & Sullivan Report, in 2019, the top five fabric care companies accounted for 67.4% of the market share by retail sales value in the fabric care market in China. According to the Frost & Sullivan Report, we had the fourth largest market share among over 800 market players in China's fabric care market in 2019. The following chart sets forth the details of market concentration and market shares of the top five fabric care companies by retail sales value in China in 2019.

Market Concentration of Fabric Care Market by Retail Sales Value (China), 2019

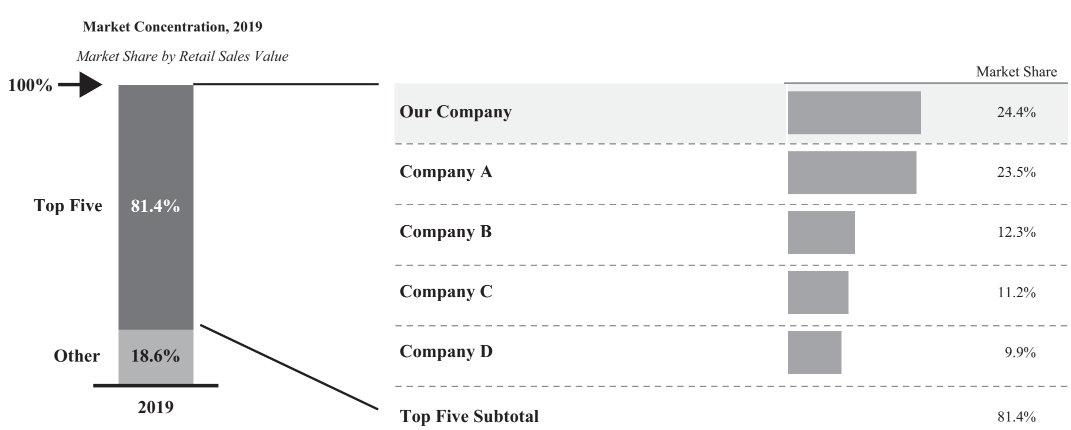


Source: Frost & Sullivan Report

Liquid Laundry Detergent

According to the Frost & Sullivan Report, in 2019, the top five liquid laundry detergent companies accounted for 81.4% of the market share by retail sales value in the liquid laundry detergent segment in China. According to the Frost & Sullivan Report, we had the largest market share in China's liquid laundry detergent market for 11 consecutive years from 2009 to 2019. In 2019, our liquid laundry detergents generated a retail sales value of RMB6.6 billion, representing 24.4% of the overall market share of the liquid laundry detergents segment in China. The following chart sets forth the details of market concentration and market shares of the top five liquid laundry detergent companies by retail sales value in China in 2019.

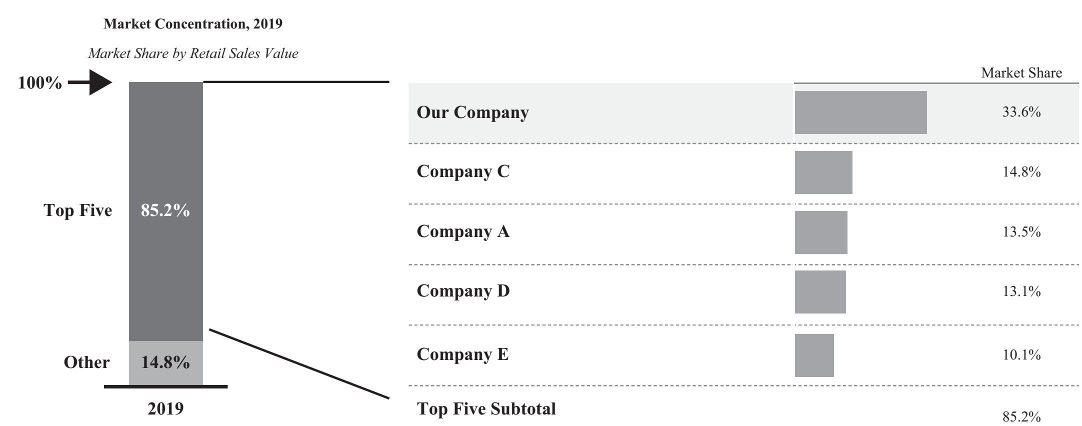
Market Concentration of Liquid Laundry Detergent Market by Retail Sales Value (China), 2019



Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, we ranked first out of all liquid laundry detergent companies in China for three consecutive years from 2017 to 2019 with a market share of 33.6% of total online retail sales value of liquid laundry detergents in 2019. The following chart sets forth the details of market concentration and market shares of the top five liquid laundry detergent companies by online retail sales value in China in 2019.

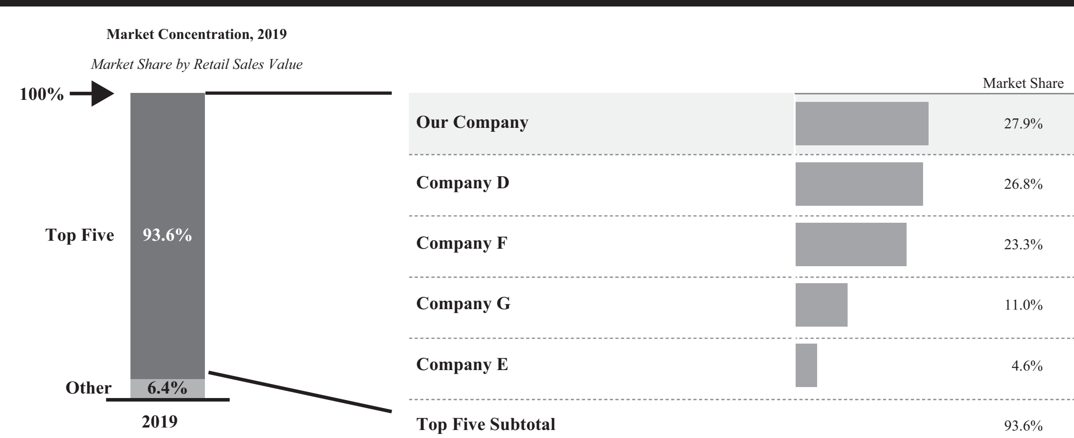
Market Concentration of Liquid Laundry Detergent Market by Online Retail Sales Value (China), 2019



Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, we ranked first out of all concentrated liquid laundry detergent companies in China for three consecutive years from 2017 to 2019 with a market share of 27.9% of total retail sales value of concentrated liquid laundry detergents in 2019. The following chart sets forth the details of market concentration and market shares of the top five concentrated liquid laundry detergent companies by retail sales value in China in 2019.

Market Concentration of Concentrated Liquid Laundry Detergent Market by Retail Sales Value (China), 2019

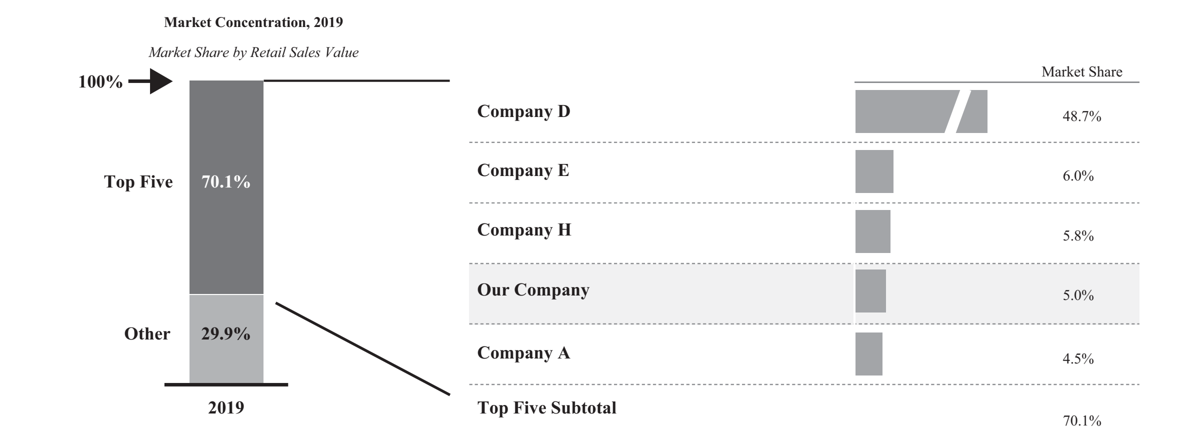


Source: Frost & Sullivan Report

Personal Hygiene

According to the Frost & Sullivan Report, in 2019, the top five personal hygiene companies accounted for 70.1% of the personal hygiene market in China by retail sales value. According to the Frost & Sullivan Report, we had the fourth largest market share among over 100 market players in China's personal hygiene market in 2019. The following chart sets forth certain information regarding market concentration in the personal hygiene market in China and the market share of the top five personal hygiene companies by retail sales value in China in 2019.

Market Concentration of Personal Hygiene Market by Retail Sales Value (China), 2019

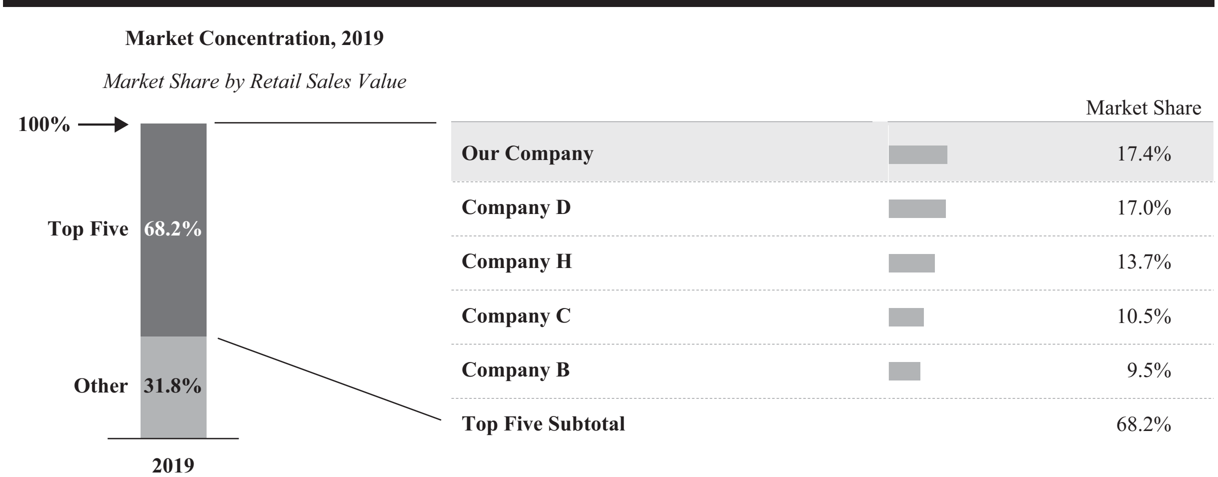


Source: *Frost & Sullivan Report*

Liquid Soap

According to the Frost & Sullivan Report, in 2019, the top five companies accounted for 68.2% of the market share by retail sales value in the liquid soap market in China. According to the Frost & Sullivan Report, we had the largest market share in China's liquid soap market for eight consecutive years from 2012 to 2019. Our liquid soap generated a retail sales value of RMB474.3 million with a market share of 17.4% of the overall liquid soap market in 2019, according to the Frost & Sullivan Report. The following chart sets forth the details of market concentration and market shares of the top five liquid soap companies by retail sales value in China in 2019.

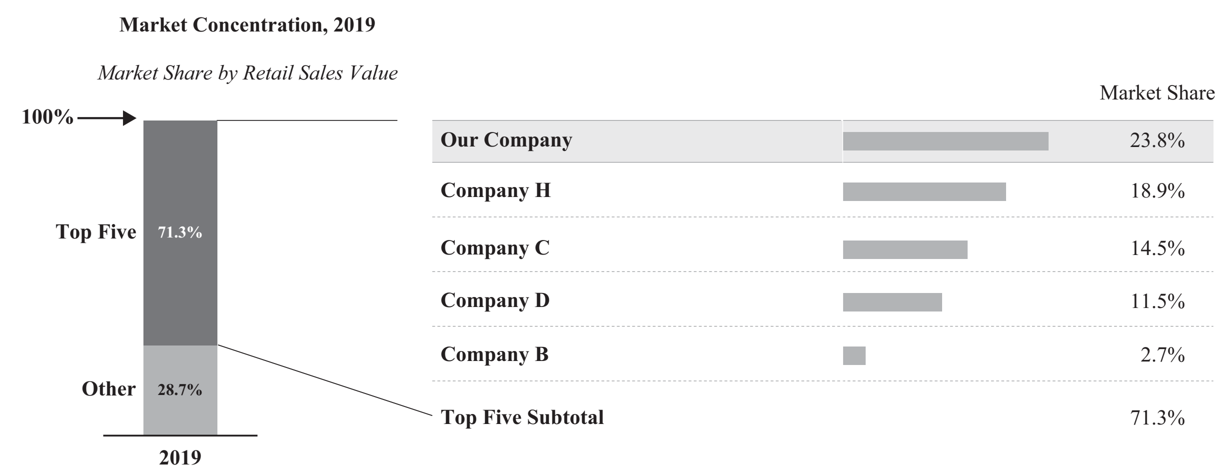
Market Concentration of Liquid Soap Market by Retail Sales Value (China), 2019



Source: *Frost & Sullivan Report*

According to the Frost & Sullivan Report, we ranked first out of all liquid soap companies in China for three consecutive years from 2017 to 2019 with a market share of 23.8% of total online retail sales value of liquid soap in 2019. The following chart sets forth the details of market concentration and market shares of the top five liquid soap companies by online retail sales value in China in 2019.

Market Concentration of Liquid Soap Market by Online Retail Sales Value (China), 2019

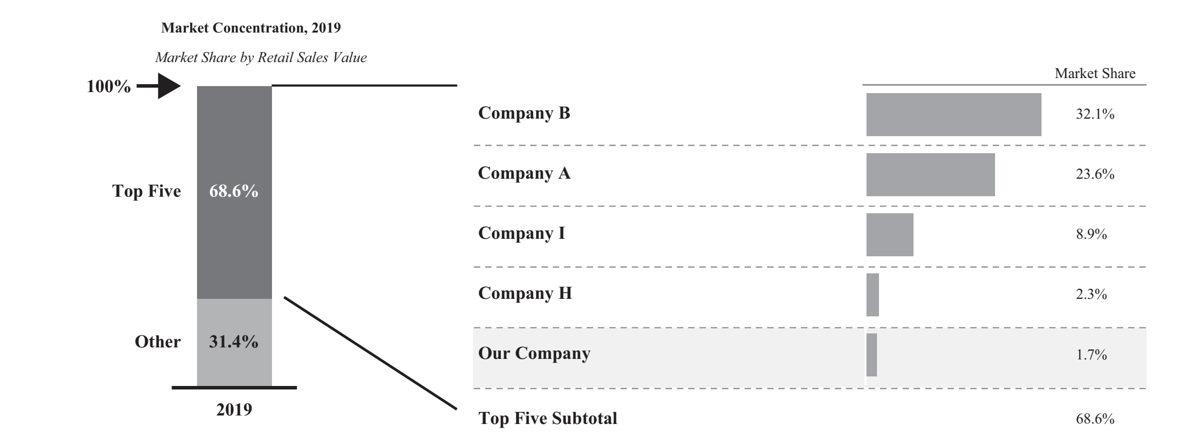


Source: Frost & Sullivan Report

Home Care

According to the Frost & Sullivan Report, in 2019, the top five home care companies accounted for 68.6% of the home care market in China by retail sales value. According to the Frost & Sullivan Report, we had the fifth largest market share among over 400 market players in China's home care market in 2019. The following chart sets forth certain information regarding market concentration in the home care market in China and the market share of the top five home care companies by retail sales value in China in 2019.

Market Concentration of Home Care Market by Retail Sales Value (China), 2019



Source: Frost & Sullivan Report

IMPACT OF THE COVID-19 OUTBREAK ON CHINA'S HOUSEHOLD CARE INDUSTRY

- *Consumer behaviour:* As evidence indicates that the coronavirus that causes the COVID-19 outbreak can be transferred from one surface to another by contaminated hands, consumers tend to clean and disinfect their hands, clothes and home more frequently in an effort to prevent contact transmission of the COVID-19 outbreak.

- *Product sales:* Traditional sales channels, such as offline non-chain grocery stores and chain stores were temporarily closed, while online channels became consumers' first choice of shopping as a result of the COVID-19 outbreak. Demand for disinfectant products experienced significant growth during the COVID-19 outbreak, such as hand sanitiser, home disinfectant and fabric care with disinfectant function. These products were out of stock or had limited availability in both offline and online sales channels. Due to the outbreak and the resulting rising health and hygiene awareness, demand for these products is expected to remain high, bolstering product sales both in terms of sales volume and sales revenue.

- *Logistics:* Due to the limited number of logistics workers and drivers available during the outbreak and various transportation restrictions implemented by the Chinese government to contain the COVID-19 outbreak, there was a temporary shortage in logistics resources for transporting raw materials to factories and transporting products to consumers.

MARKET DRIVERS AND FUTURE TRENDS

- *Increasing awareness of public and personal health and hygiene:* In line with the increasing awareness of public and personal health and hygiene, household care products have gradually become a necessity for consumers in their daily lives. As a result, consumers have been more willing to spend on household care products to maintain health hygiene, which will drive market growth. In particular, demand for disinfectant products will continue to grow due to the increasing public awareness of infectious diseases and the important role that disinfectant products play in the fight against infectious diseases.

- *Consumption upgrade:* Driven by the growth in per capita disposable income and purchasing power during the past decade, the ongoing consumption upgrade has fuelled the market expansion for the household care industry. In particular, opportunities arising from the shifts in consumer preferences to premium products, such as concentrated liquid laundry detergents and liquid soap, have boosted and will continue to boost the market growth.

- *Demand for convenient cleaning solutions:* Consumers seeking fast-paced modern lifestyles are looking for convenient cleaning solutions such as self-cleaning products which could reduce the time that consumers spend on household cleaning.

- *Channel expansion:* The diversification of sales channels has significantly boosted the growth of the household care industry in the past decade. Market participants will continue to focus on optimising their online and offline channels to deliver products to end-consumers in a timely and convenient manner.

- *Focus on young generations and lower-tier cities:* Market participants will continue to focus on creative marketing campaigns to attract young generations through engaging celebrities and KOLs. In addition, consumers from lower-tier cities have become a key target group of market participants due to their growing willingness to try new products and rising purchasing power.

- *Product development and portfolio diversification:* In response to the constant shifts in consumer demands and preferences and high levels of competition, market participants have focused on product development and portfolio extension to launch new product lines or update existing products. New household care products with features such as concentrated formulas and eco-friendly solutions will gain increasing popularity among consumers. In addition, as the household care industry continues to evolve, there has been a shift towards diversification and specialisation of household care products. To capitalise on the market opportunities associated with specialty household care products, market participants will continue to focus on the development of niche household care products that can serve particular purposes.

- *Operational efficiency:* Due to increasingly intense competition in the household care industry, market participants face greater tension between the goals of (i) delivering high-quality products to consumers in a timely and convenient manner and (ii) minimising operational costs and maximising profit margins. Many market participants are looking for solutions for such challenges, including investing in technologies to lower operational costs and boost productivity and profitability.

According to the Frost & Sullivan Report, the market size of the relevant product segments is expected to grow beyond 2024 for the following reasons:

- due to China's economic growth, the household care industry is expected to continue to grow in the next decade, and the per capita spending on household care products is also expected to increase alongside the growth of Chinese residents' disposable income in the next decade;

- there remains significant potential for growth in the per capita spending on household care products in China as compared to more developed markets. By way of comparison, by 2024, the annual per capita spending on household care products in more developed markets such as the U.S. and Japan are expected to reach approximately US$86.8 and approximately US$65.3, respectively, as compared to approximately US$17.9 for China. Meanwhile, China's per capita spending on household care products is expected to grow at a CAGR of 8.4% from 2019 to 2024, which is significantly faster than the CAGR of 2.2% and 2.7% in the U.S. and Japan, respectively, over the same period; and

- as compared to the more developed markets, the relevant product segments are still in the growth phase in China and are expected to sustain robust growth at least in the next decade. In particular, by 2024, the penetration rate of liquid laundry detergents in China is expected to reach approximately 58.6%, while that in the U.S. and Japan are estimated to reach approximately 96.3% and 86.5%, respectively; the penetration rate of liquid soap in China is expected to reach approximately 55.8%, while that in the U.S. and Japan are estimated to reach approximately 74.4% and 63.2%, respectively.

According to the Frost & Sullivan Report, since more developed markets such as the U.S. and Japan have continued to experience steady growth in recent years and are expected to attain an even faster CAGR in the next five years, China's household care industry alongside with its relevant product segments (fabric care market, personal hygiene market, and home care market) are reasonably expected to continue to sustain robust growth in the next decade given the significant gap between China and more developed markets such as the U.S. and Japan in terms of the annual per capita spending on household care products, the penetration rate of certain key products together with Chinese residents' increasing disposable income and consumption expenditure.

ENTRY BARRIERS

- *Economy of scale:* The household care industry in China is characterised by economies of scale. New entrants face challenges, including limited channel expansion opportunities and rising costs for raw material and labour, while established household care companies enjoy economies of scale and grow faster than emerging new entrants.

- *Retail channel:* The retail channel is crucial for market participants in the household care industry. Existing market participants have accumulated years of experience in integrating offline and online resources and realising synergies among different retail channels, which are difficult for new entrants to achieve.

- *Brand awareness:* Consumers in China tend to choose household care products of well-known brands. The household care industry in China already has a number of market participants with long histories and well-established brands. It is not easy to win customers' trust and to persuade them to try new brands of household care products.

- *R&D capabilities:* In order to cater to ever-changing consumer demands and preferences, household care companies need strong R&D capabilities. Technical knowhow of designing household care products that can attract consumers and compete with well-established existing products in the market impose significant entry barriers for new entrants.

- *Management capability:* Management of leading household care companies requires substantial industry experience and insight into the household care market. It is difficult for new entrants to build a management team with extensive industry experience.

PRICE TRENDS OF RAW MATERIALS AND PRODUCTS

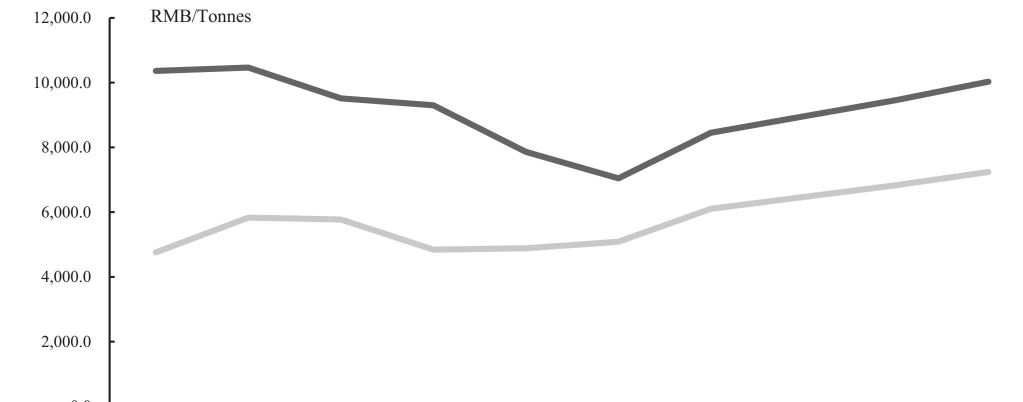
The cost of raw materials represents a major cost item for a typical household care company in China. The raw materials used in household care product production primarily consist of chemicals and packaging materials. In particular, the cost of packaging materials accounts for a large proportion of the cost of raw materials for a company that operates in China's household care industry. Household care products generally use chemicals that are derived from palm oil as their most critical raw material. LDPE is one of the main packaging materials used in household care product production.

Due to a shortage in supply, the price of palm oil increased from 2015 to 2016. The price of palm oil then decreased in 2017 and 2018 due to a production expansion in Southeast Asia, especially in Malaysia and Indonesia. The price of palm oil remained relatively stable in 2019 and is expected to have a slight upward trend due to limited capacity for further production expansion. However, the fluctuations in the market price of the chemicals may not strictly correlate with the market price of palm oil because the transformation from palm oil into these chemicals involves a series of complicated chemical reactions and processes, during which other chemicals are also added.

Due to a production cut of crude oil, one of the main raw materials for LDPE, initiated by the Organization of the Petroleum Exporting Countries (the "**OPEC**") in 2016, the price of LDPE increased slightly and reached RMB10,466.7 per tonne. With a decreasing price in crude oil, the price of LDPE has decreased since

2017. Going forward, according to the World Bank, the price of crude oil is expected to reverse its downward trend and increase gradually between 2021 and 2024. Since the price of LDPE is highly correlated to the price of crude oil, it is expected to increase steadily in line with the expected increase of crude oil price in the future.

Price Trend of Major Raw Materials



	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
LDPE	10,362.5	10,466.7	9,513.6	9,302.9	7,860.7	7,043.2	8,451.8	8,958.9	9,460.6	10,028.2
Palm Oil	4,755.8	5,830.0	5,771.5	4,841.9	4,884.2	5,084.5	6,101.4	6,467.5	6,829.6	7,239.4

Source: Wind, Frost & Sullivan Report

From 2015 to 2019, the average retail sales price of household care products maintained a stable increase, representing a CAGR from 3% to 5%, according to the Frost & Sullivan Report. As the competitive landscape of the household care industry is relatively stable and consumers have relatively lower price sensitivity to household care products, the average retail sales price of most household care products are expected to continue to increase at the same level from 3% to 5%.

SOURCE OF INFORMATION

In connection with the Global Offering, we engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report about, global household care industry and China's household care industry. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. In connection with the market research services provided, we have paid a fee of RMB650,000 to Frost & Sullivan, which we believe to be consistent with market rates.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan adopted the following assumptions: (i) global social, economic and political environment is likely to remain stable in the five years from 2020 to 2024 (the "**Forecast Period**"), (ii) purchasing power is expected to continue to rise rapidly in emerging regions and to grow steadily in developed regions, and (iii) related industry drivers such as increasing health and hygiene awareness, growing purchasing power and other key drivers are likely to drive the household care industry in the Forecast Period.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Frost & Sullivan has prepared the Frost & Sullivan Report based on detailed primary research which involved discussing the status of the household care industry with certain leading industry participants and secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

OUR MISSION

Our mission is to provide consumers with cleaning solutions comprising of quality products, good services and professional insights.

OUR VISION

Our vision is to allow every family to enjoy a clean, healthy, comfortable, respectable and delightful "Blue Moon (藍月亮)" lifestyle.

OUR VALUES

For consumers we excel (為用戶， 更卓越).

OVERVIEW

We are a leading consumer-centric household care company in China. We develop, manufacture and market a wide selection of products under three categories: fabric care, personal hygiene and home care. Our liquid laundry detergent, liquid soap and concentrated liquid laundry detergent products had the largest market shares in their respective markets in each of 2017, 2018 and 2019, according to the Frost & Sullivan Report. Our reputation is decades in the making and is rooted in our commitment to customer satisfaction, our ability to understand and set consumer trends, and our focus on successful execution.

Since our inception, we have focused on the markets with high growth potential and have built a strong brand. We have developed popular products such as Blue Moon Liquid Soap and Blue Moon Deep Clean Care Liquid Laundry Detergent, and we continue to upgrade our products. We have developed a knowledge-based marketing strategy by not only promoting our products or brand, but also delivering household care-related knowledge and insights to consumers based on our research and production experience, thereby enhancing brand loyalty. We are an early mover and a leader in utilising e-commerce in China's household care industry and have built a powerful omni-channel sales and distribution network. Since 2008, we have launched technology advancement programmes to digitalise our operation process, including procurement, manufacturing, and sales to make our business operations more efficient and scalable.

We believe the market environment and consumer trends are in our favour. According to the Frost & Sullivan Report:

- China has one of the world's largest household care markets with the highest growth potential among the major economies. The market size of China's household care market as measured by retail sales value is expected to grow from RMB110.8 billion in 2019 to RMB167.7 billion in 2024, accounting for over one third of the growth in the global household care industry from 2019 to 2024. In particular, as measured by retail sales value, the fabric care market is the largest market in the household care industry in China, accounting for 61.2% of China's total household care market in 2019;

- Chinese consumers are increasing their spending on high-quality products such as liquid laundry detergents and concentrated liquid laundry detergents. While these products are prevalent in developed markets such as the U.S. and Japan, their penetration rates have been growing rapidly in

China. According to the Frost & Sullivan Report, the market penetration of liquid laundry detergents in China rose from 32.0% in 2015 to 44.0% in 2019 and is projected to further increase to 58.6% in 2024. In 2019, penetration rates of concentrated liquid laundry detergents in Japan and the U.S. reached 100%, while the penetration rate of concentrated liquid laundry detergents in China was 8.2% in the same year, showing significant potential for growth in China; and

- e-commerce is an important and fast growing retail channel in China. Sales of household care products through e-commerce is expected to grow at a CAGR of 16.2% from 2019 to 2024 and account for 31.9% of China's overall household care market by 2024.

We identified these market trends early and have positioned our business to benefit from these trends. We have become a leader in the liquid laundry detergents, concentrated liquid laundry detergents and liquid soap markets in China. Our effective knowledge-based marketing has not only enhanced consumer loyalty to our brands, but has also reinforced the adoption of liquid and concentrated products by consumers. In 2019, although China's online penetration for household care industry was only 22.8%, we generated 47.2% of our total revenue from online sales channels and built leading market shares in all the major e-commerce platforms.

The "Blue Moon (藍月亮)" brand was founded by our chief executive officer, Mr. Luo, 28 years ago. He has inspired and assembled an experienced management team who draws on an average of more than 20 years' industry experience. In addition, our chairman, Ms. Pan, has also been instrumental in formulating our corporate strategies, which has led to the successful expansion of our business. We believe our success is a result of their focus on the household care industry and dedication to consumer satisfaction.

Our revenue grew at a CAGR of 11.9% from 2017 to 2019. In 2019, our revenue was HK$7,049.9 million while our net profit was HK$1,079.6 million. For the six months ended 30 June 2020, our revenue was HK$2,435.9 million while our net profit was HK$302.2 million.

COMPETITIVE STRENGTHS

We believe the following competitive strengths are central to our success:

We are a leader and an early mover in China's household care market and are well-positioned to capture significant growth opportunities

We are a leader in the PRC household care industry. We had the largest market share in China's liquid laundry detergent market for 11 consecutive years from 2009 to 2019 and we also had the largest market share in China's liquid soap market for eight consecutive years from 2012 to 2019, according to the Frost & Sullivan Report. In 2019, we ranked first in China's liquid laundry detergent market, concentrated liquid laundry detergent market and liquid soap market in terms of retail sales value, with a market share of 24.4%, 27.9% and 17.4%, respectively.

We are committed to delivering well-designed, high quality products that reinforce our reputation as an expert in the industry. Our "Blue Moon (藍月亮)" brand is one of the most recognisable household care brands in China.

We are one of the fastest growing companies in China's household care industry. According to the Frost & Sullivan Report, the retail sales value of China's household care industry increased at a CAGR of 4.9% from 2017 to 2019. Over the same period, our revenue increased at a CAGR of 11.9%. In 2019, our revenue was HK$7,049.9 million and our net profit was HK$1,079.6 million.

We are well-positioned to capture the opportunities from China's household care market, which has the highest growth potential among the household care markets of the major economies. According to the Frost & Sullivan Report, in 2019, the total retail sales value of China's household care industry was RMB110.8 billion, and is expected to grow at a CAGR of 8.7% from 2019 to 2024, representing the highest growth potential for the household care industry among the major economies. The fabric care market, which we focus on, is the largest segment of China's fast-growing household care industry, accounting for over 60% of the total retail sales value of China's household care industry in 2019. The liquid laundry detergent market is expected to be a major growth driver of the fabric care industry, growing at a CAGR of 13.6% from 2019 to 2024 and reaching RMB51.5 billion in 2024 in terms of retail sales value. Our strong brand awareness and proven track record enable us to reinforce our leading position and capture market opportunities.

We have a diverse product portfolio and a proven track record of product development which contributes to the upgrade of China's household care industry

Our product portfolio consists of a wide range of household care products in fabric care, personal hygiene and home care. Our diversified product offerings and our promotion of scientific cleaning knowledge through customer services form a holistic household cleaning solution. Our core products include liquid laundry detergents, liquid soap, laundry aids, dishwash products and bathroom cleaners. We continue to develop and launch products to cater to different consumer groups, functional requirements and cleaning scenarios. For example, we have developed products tailored for babies, specialised laundry detergent products for silk and delicate fabrics and products tailored for hand-wash. Besides our flagship "Blue Moon (藍月亮)" brand, we also introduced other brands, such as "Supreme (至尊)" and "Volo (衛諾)".

We have a proven track record of successfully launching new products. We are among the first movers in several emerging household care product categories, and we strategically launched our liquid soap, liquid laundry detergent and concentrated liquid laundry detergent products in 2000, 2008 and 2015, respectively. Each of our Blue Moon Deep Clean Care Liquid Laundry Detergent, Blue Moon Deep Clean Liquid Laundry (Whitening) Detergent, Hand-wash Laundry Detergent, and Blue Moon Machine Wash Supreme Concentrated Plus Laundry Detergent quickly achieved an annual retail sales value of over RMB500 million within five years of launch. We believe that we contributed significantly to the evolution of consumer preferences in favour of these emerging product categories. After the successful launch of our products, our continuous optimisation of products maintained many of our products' popularity for more than ten years. In particular, revenue from our Blue Moon Deep Clean Liquid Laundry (Whitening) Detergent, Blue Moon Deep Clean Care Liquid Laundry Detergent, Fabric Softener, and Antibacterial Liquid Soap increased at a CAGR of over 10% from 2017 to 2019.

The success of our product development is made possible by our insight into consumer needs and market trends, our strong research and development capabilities and our dedication to craftsmanship. For example, in developing concentrated liquid laundry detergent products under the "Supreme (至尊)" brand, we carried out extensive tests and experiments and developed a product series by utilising biological compound enzyme technology. We also developed a pump dispenser capable of dispensing a precise amount of detergent suitable for daily laundry tasks of Chinese consumers. Moreover, to optimise user experience, we launched laundry detergent products with different aromas. We are deeply committed to further expanding our comprehensive product offerings and, as at the Latest Practicable Date, we had obtained 152 patents in China, nearly half of which were applicable to products other than laundry detergent.

China's household care industry is undergoing structural change. From 2015 to 2019, the penetration of liquid laundry detergent products in the laundry detergent market grew from 32.0% to 44.0% and is expected to increase to 58.6% in 2024; meanwhile, the penetration of powder laundry detergent products decreased from 58.0% to 47.6% from 2015 to 2019, and is expected to further decrease to 35.2% in 2024, according to the Frost & Sullivan Report. We believe that the trend of liquid laundry detergent products replacing powder laundry detergent products will continue in the foreseeable future. Additionally, with the rise of disposable income and consumers' pursuit of better quality of life, more consumers in China have started to prefer higher quality, convenient, environmentally friendly and compact products. With our leading position in the liquid laundry detergent market, our product development capabilities, and our strategic focus on increasingly popular products since our inception, we believe that we are well-positioned to benefit from the structural reform in China's growing household care market.

We have built a powerful and nationwide omni-channel distribution network

We have built an omni-channel sales and distribution network across China that caters to the purchase preferences of a broad consumer base.

Online

Our first mover advantage in utilising the online sales and distribution channels in China's household care industry, as well as our expansion into new online sales channels, have allowed us to achieve rapid growth in online sales.

According to the Frost & Sullivan Report, the online sales penetration rate of household care products in China increased from 18.8% to 22.8% from 2015 to 2019, and is expected to further increase to 31.9% in 2024, reflecting an accelerating increase in online sales penetration. Leveraging our insight of consumer preference and the rise of e-commerce, we became an early mover and leader in China's household care industry to utilise e-commerce and have built a powerful omni-channel distribution infrastructure. Having partnered with major e-commerce platforms in China for approximately ten years, we are a key business partner of major e-commerce platforms in China. According to the Frost & Sullivan Report, our liquid laundry detergents ranked first in the online liquid laundry detergent market in terms of retail sales value in 2019, with a market share of 33.6%, which was more than two times the market share of the second-ranked Chinese liquid laundry detergent company. In 2019, our brand ranked first in terms of transaction value during the 618 Shopping Festival and Singles' Day events on JD.com and Tmall, respectively.

Building on our extensive experience of working with established e-commerce platforms, we have expanded into new online sales channels. We work with a number of emerging e-commerce platforms such as social e-commerce platforms, fresh foods e-commerce platforms, and the online procurement systems of corporations to appeal to a broader consumer base. Our efforts have further increased our online penetration, and extended our coverage to various consumer groups. From 2017 to 2019, the retail sales value of China's household care industry from online sales channel grew at a CAGR of 8.5%, according to the Frost & Sullivan Report. Over the same period, our revenue from online channels increased at a CAGR of 33.5%. For the year ended 31 December 2019, our revenue generated through online sales channels amounted to HK$3.3 billion, accounted for 47.2% of our total revenue. For the six months ended 30 June 2020, our revenue generated through online sales channels amounted to HK$1.4 billion, accounted for 58.8% of our total revenue.

Offline

We have an extensive offline sales and distribution network across China, including direct sales KAs such as hypermarkets and supermarkets, and offline distributors which resell to hypermarkets, supermarkets, standalone supermarkets, convenience stores, grocery stores and gas stations. According to the Frost & Sullivan Report, the "Blue Moon (藍月亮)" brand ranked first in China's offline liquid laundry detergent market in terms of retail sales value from 2017 to 2019.

Our nationwide distribution network allowed us to penetrate emerging markets in lower-tier cities as consumption in these cities continued to grow. According to the Frost & Sullivan Report, the retail sales value of the household care markets in tier-three and lower-tier cities is expected to increase at a CAGR of 9.2% from 2019 to 2024. In particular, the retail sales values of liquid laundry detergent and liquid soap in tier-three and lower-tier cities are expected to increase at a CAGR of 15.1% and 28.3% for the same period, respectively. Such emerging markets have become a major growth driver of China's household care industry. Our ability to cover and service multiple retail formats in offline channels, together with our strong brand reputation and our diverse product portfolio, enabled us to further develop our business and increase penetration in lower-tier cities. As at 30 June 2020, aside from national and regional supermarkets, nearly 70% of our offline distributors were located in tier-three and lower-tier cities, covering retail points of sale in more than 2,600 districts and counties across China. We continue to expand and optimise our offline distributor network by closely working with our offline distributors to penetrate local retail markets, increasing product exposure and improving sales performance.

We have built a strong brand with long-term value through knowledge-based marketing and superior customer services

We have built a strong brand with long-term value. We have adopted a consumer-centric knowledge-based marketing philosophy by sharing professional cleaning methods and scientific cleaning knowledge to create value for consumers. Through knowledge-based marketing, we built a trusted brand and reinforced consumer preference for upgraded products, thereby increasing brand awareness and recognition. In addition, we provide customer services to foster consumer connection and to better understand their preferences, which in turn further enhances our brand loyalty.

We have continuously strengthened our brand recognition and engaged with consumers through a variety of knowledge-based marketing efforts:

- We deliver household care knowledge, answer inquiries from consumers, and collect feedback through our cleaning consultants and customer support service. These interactions allow us to solve consumers' cleaning related problems, better understand their needs and build stronger consumer relationships;

- We organised special events such as "Laundry Master （洗衣大師）" and "Scientific Laundry Across China （科學洗衣中國行）" to further deliver household care- and cleaning-related knowledge to the general public, engaging consumers as part of the marketing process to increase brand awareness;

- We organised the "Blue Moon Festival （藍月亮節）" which included our sponsorship to nationally televised programmes on CCTV and Hunan TV for seven consecutive years from 2013 to 2019 to enhance our brand recognition; and

- We engaged and communicated with young consumers through online live streaming, celebrity endorsements and short films to highlight the youth and vitality value of our brand.

As consumers become increasingly aware and value corporate social responsibility, we have been adhering to low-carbon and sustainable development principles, and utilising environmentally-friendly ingredients for our formulae. We believe that our social and environmental responsibilities efforts are well-recognised by our consumers and will be an important contribution to the long-term value of the "Blue Moon (藍月亮)" brand.

Our tech-enabled operations enhance our efficiency, adaptability and scalability

Since 2008, we have executed our strategy to build advanced IT systems for our business operations. We have developed highly integrated proprietary IT systems based on mobile internet and big data technology to manage our operations. Our IT systems and higher level of automation contributed to the continuous improvement of our operational efficiency. We believe that our advanced and integrated IT systems can also help us seize future opportunities and further expand our business.

We deployed our IT systems throughout key aspects of our business operations:

- ***Procurement:*** We have developed a flexible and adaptable procurement management system in-house. It can interface with the IT systems of different suppliers located in different geographic areas and can process the procurement of various items, including raw materials and fixed assets, significantly increasing our procurement efficiency;

- ***Manufacturing:*** Our production facilities are highly automated. As a result, we have significantly reduced the labour hours per unit product required by approximately 10% from 2017 to 2019. Additionally, we are in the process of implementing intelligent controls to our manufacturing process in accordance with the industrial development trends; and

- ***Sales:*** We developed a proprietary CRM system. In terms of offline sales, our CRM system can capture distributors' shipment and inventory data, as well as sales data from our direct sales KAs and offline distributors, allowing us to manage our sales channels more effectively. In terms of online sales, our CRM system is connected to most of our online proprietary stores, enabling us to develop big data analytics and to forecast online sales using the data obtained. The increasing accuracy of forecasts supported by big data analytics enabled us to improve production planning and inventory management based on expected sales.

Our advanced IT systems have made our business highly scalable and facilitated our expansion. Leveraging our advanced IT infrastructure, as at the Latest Practicable Date, we established 10 front-tier warehouses in 10 provinces in China, enabling us to make prompt and flexible logistics arrangements and inventory adjustments if necessary. As a result of our strategic national layout and improved operations efficiency through the establishment of our front-tier warehouses that are adjacent to our customers, we were able to increase the three-day delivery completion rate of our online flagship stores by approximately 30% from 2018 to 2019. In addition, we have decreased the average logistics cost per unit of products sold online in our proprietary stores by approximately 19% from 2017 to 2019 due to a number of improvements we made to our overall logistics management including switching to a cheaper supplier.

Our founder and management team are experienced, committed and visionary

Our founder and chief executive officer, Mr. Luo, and our chairman, Ms. Pan, are well-known entrepreneurs in China's household care industry. Their strategic vision led us to facilitate the development of China's household care industry. Through Mr. Luo and Ms. Pan's leadership and commitment to providing quality household care products in China, we have built a well-recognised brand that has had a significant impact on consumer habits, as well as the development of the household care industry in China.

Our senior management team has, on average, more than 20 years of industry experience and has worked at our Group for over 14 years. They have acquired significant insight of the market through their extensive experience and are highly committed to our corporate values, namely, "for consumers we excel (為用戶， 更卓越)". We believe that they have been crucial in formulating business strategies, developing new products and capturing opportunities in the industry, and that they will be instrumental to the achievement of our goals and the execution of our business plans.

BUSINESS STRATEGIES

Consumer satisfaction is our top priority. Empowered by our technological capabilities, we plan to continue our development in products, channel, marketing and manufacturing to better serve our customers, strengthen our reputation as the expert in household care, and grow our business sustainably.

Expand and upgrade our product offerings to solidify our leading market position

Our deep insight into consumer behaviour and strong research and development capabilities will allow us to build a diverse household care product portfolio that consistently satisfies consumers' everyday cleaning needs.

- ***Upgrade of existing products:*** We aim to continue to upgrade the formulae and packaging of our existing products by launching well-designed and high-quality products which cater to different consumption scenarios, distribution channels, and consumer segments. Additionally, we also aim to increase our usage of compact packaging that are more environmentally friendly;

- ***Expansion of product categories:*** Consumers expect higher standards of cleaning, anytime and anywhere, particularly after the COVID-19 outbreak. We will satisfy their expectations by expanding our product matrix to cover more product categories. For example, we are developing professional disinfection products to safeguard consumers' personal health; and

- ***Strengthening premium product offerings:*** We plan to launch more concentrated products and further solidify the leading position of our "Supreme (至尊)" brand in the concentrated liquid laundry detergent market. We are developing cleaning tools in-house that can complement our cleaning products, and we collaborate with home appliance manufacturers to launch compatible products. We believe that these product offerings will redefine household cleaning experience and appeal to younger generations and consumers with higher purchasing powers.

Further strengthen our omni-channel distribution network and increase product penetration

We are an early mover in e-commerce and have built an extensive omni-channel sales and distribution network. We will optimise our sales and distribution network to increase our product penetration through the following measures:

- ***Solidifying our leadership in online channels:*** We aim to strengthen our partnership with major e-commerce platforms and explore opportunities from emerging e-commerce platforms such as social e-commerce, fresh foods e-commerce, and the online procurement systems of corporations. We plan to take advantage of e-commerce platforms' strategic initiative to penetrate into lower-tier cities and optimise our product offerings by tailoring to the preferences of users in different platforms to reach a broader consumer base;

- ***Strengthening our cooperation with national and regional retailers and continuously developing our distribution model:*** On-demand delivery service is an increasingly popular retail format in China. We intend to leverage the extensive offline network of our retailer partners to better serve consumers in local communities. Moreover, we aim to continue to improve our support to retailers through better management of procurement, inventory, and product display. We believe that our customised services will allow them to improve sales performance and in turn drive the sales growth of our products; and

- ***Broadening and deepening our offline distribution network to capture opportunities across different tier of cities:*** We plan to optimise and expand our distributor network based on their capability to serve specific sales channels to deepen penetration from urban downtown areas of the larger cities to counties, townships and villages across all provinces in China. We plan to proactively expand our points of sale and broaden coverage of retail formats, including pharmacies, cosmetics stores, maternity stores, and gas stations. We will leverage the high brand recognition of our flagship liquid laundry detergent products to increase the market penetration of products of different categories, including home cleaning and personal hygiene. We believe that our knowledge on points of sale procurement, inventory and product display, as well as our dedicated sales team support will help our offline distributors improve productivity and execute this strategy more effectively.

Continue to win consumers' trust through promotion of scientific cleaning knowledge

We differentiate ourselves by consistently delivering scientific household care knowledge to our consumers. We are committed to building a trustworthy brand underpinned by science and professionalism. We believe that, as our consumers gain more household care related knowledge, they will increasingly rely on us to deliver the lifestyle they deserve.

We engage consumers both through in-house resources and external partners of our omni-channel sales and distribution network. For online channels, we intend to continue to adapt to the changes in consumer preferences to improve two-way communications and to cultivate consumption habits. For offline channels, our cleaning consultants will continue to directly interact with consumers in schools, communities and work places.

As the internet continues to redefine the way people communicate, we plan to refine and customise our marketing strategies for different consumer groups to strengthen our brand image as the most professional expert in household care.

Improve consumer experience by enriching our services

We intend to deliver to consumers a carefree "Blue Moon (藍月亮)" lifestyle by providing a full suite of products and services. Our laundry services help consumers clean stains that are difficult to remove, our cleaning consultants provide consumers with professional advice and our customer service staff offer product support. By strengthening interactions with consumers, we obtain a better understanding of their consumption needs which enables us to develop better products and increase customer loyalty.

- We plan to continue to develop the skills of our cleaning consultants and customer service staff to improve after-sales service efficiency and quality;

- We intend to expand our laundry service offerings. We plan to establish laundry centres to help more consumers clean clothes with stains that are difficult to remove. Our goal is to become the go-to laundry expert for consumers and improve customer experience. Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" for details; and

- We plan to continue to implement a membership programme. Such membership programme will allow us to better understand consumer preferences, provide more personalised services, and launch more accurate promotions based on purchase and inquiry history, which we believe will increase our purchase conversion rate.

Accelerate digitalisation and upgrade manufacturing network to further improve operational efficiency

We intend to continue to invest in technology infrastructure to enhance digitalisation of our systems and improve operational efficiency:

- In sales and distribution, we plan to strengthen our capabilities in consumer data analysis across different channels and markets. A better understanding of consumer preferences gained through the data analytics will allow us to improve product selection and marketing effectiveness;

- In supply chain and inventory management, we plan to further invest in big data analytics and artificial intelligence to improve the accuracy of our forecasts of production, sales and costs, and to achieve higher efficiency in our supply chain management. In manufacturing, we plan to upgrade our production capacities across our production bases to meet the increasing market demands. We plan to further automate our production processes, such as automatic feeding and labelling, to increase our manufacturing efficiency. We also intend to invest in new manufacturing plants, production lines, and warehousing facilities in accordance with our mid to long-term growth strategy. Particularly, we plan to expand the capacity of our production bases in Guangzhou, Tianjin, Kunshan and Chongqing, as well as establish a new factory in China. As at the Latest Practicable Date, we did not have a definitive plan for such new factory. Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" for details; and

- In logistics management, we plan to improve the efficiency of our infrastructure to expedite delivery and lower logistics expenses. We plan to collaborate with logistics companies and leverage our data analytics capabilities to design more efficient transportation routes. We also intend to establish e-commerce warehouses adjacent to our manufacturing bases and partner with professional logistics service providers to enhance our warehousing capabilities.

Retain and recruit high-quality employees

We believe that our experienced, dedicated and well-trained employees at all levels are key to our success. They are the bedrock of our quality products and excellent consumer experience. We aim to continue to attract, train, retain and motivate high calibre employees and talents. We offer them a platform to achieve career aspirations so that we and our employees can both succeed. We also intend to attract talents with expertise in specialised areas to support the growth of our business. Further, we plan to adopt various cooperation models with external experts to help us implement best practises and improve our technical capabilities.

We believe that visionary, passionate and young talents are the foundation of our sustainable growth. We are committed to the retention and promotion of young talents by offering them on-the-job training and preparing them for management positions. We also recruit through fresh graduate programmes to build a reserve of high-quality staff. In addition, we plan to continue to optimise our human resources management mechanisms to help individual employees realise their potentials, as result of which we can thrive as an organisation in the long term.

OUR BUSINESS PHILOSOPHY

Our Consumer-centric Cleaning Solutions

We are a leading consumer household care company in China. With consumer satisfaction as our overarching priority, we deliver high-quality products, scientific cleaning methods, and comprehensive customer services. In addition, our knowledge-based marketing philosophy, omni-channel sales and distribution network, two-tier warehousing system, and advanced technologies enable us to deliver high-quality cleaning solutions. The following diagram illustrates the main elements of our business:

Products:

We deliver products for a multitude of cleaning scenarios, including fabric care, personal hygiene, and home care. During the Track Record Period, we sold our products in all provinces in China through our omni-channel distribution network.

Methods:

We develop and share with consumers scientific and practical cleaning methods based on our strong research and development capability and deep understanding of consumer needs. Our engineers have conducted research on numerous pieces of clothing made of different materials with different stains in order to study the most efficient methods for cleaning. We have deployed online and offline knowledge-based marketing campaigns and organised a series of special events to cultivate consumer habits. Please refer to the subsection headed "Knowledge-based Marketing" for details.

Services:

We aim to provide comprehensive services to meet the needs of consumers in different scenarios. Our comprehensive service package includes customer support services responding to consumer inquiries about various laundry problems and laundry services for consumers who do not have time to do laundry or find it difficult to clean certain pieces of clothing. Please refer to the subsection headed "Customer Services" for details.

OUR PRODUCTS

Product Portfolio Overview

We have built a diverse portfolio of market-leading products under three categories: fabric care, personal hygiene, home care. Our products are well-recognised among consumers in China. The breadth and depth of our product portfolio enable us to offer consumers various product options and a wide range of solutions to meet their household cleaning needs. According to the Frost & Sullivan Report, our liquid laundry detergent products ranked first in terms of retail sales value in China with a market share of 24.4% of the liquid laundry detergent market in 2019; and our liquid soap products ranked first in terms of retail sales value in China with a market share of 17.4% of the liquid soap market in 2019.

From 2017 to 2019, our main brand "Blue Moon (藍月亮)" ranked first in both the liquid laundry detergent market and the liquid soap market, each in terms of market size by retail sales value in China, according to the Frost & Sullivan Report. In 2019, according to the same report, "Blue Moon (藍月亮)" ranked fourth in both the fabric care market and the personal hygiene market and ranked fifth in the home care market, all in terms of market size by retail sales value in China. Please refer to the section headed "Industry Overview – Competitive Landscape" for details of the leading position of our products in the industry. We also strive to develop more products under different brands to cater to our customers' diverse cleaning needs. From 2013 to 2019, we rolled out bathroom cleaning products under our "Volo (衛諾)" brand, concentrated liquid laundry detergent products under our "Supreme (至尊)" brand, premium liquid soap products under our "Jingxiang (淨享)" brand, and utensil, fruit and vegetable cleaning products with a mild and gentle formula under our "Tianlu (天露)" brand in response to our customers' new and evolving household cleaning needs. Our product portfolio expansion has further solidified our brand image as a provider of scientific and professional household care products.

The following illustration demonstrates the coverage of our product portfolio:

During the Track Record Period, we generated revenue from three product categories: fabric care products, personal hygiene products and home care products. The following table sets forth the revenue contribution and the percentage of our total revenue contributed by each of the product categories for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	Revenue	% of Total Revenue of the Year	Revenue	% of Total Revenue of the Year	Revenue	% of Total Revenue of the Year	Revenue	% of Total Revenue of the Period	Revenue	% of Total Revenue of the Period
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Fabric Care Products	4,922,459	87.4	5,917,277	87.4	6,177,613	87.6	2,364,351	86.9	1,681,407	69.0
Personal Hygiene Products	328,021	5.8	410,616	6.1	418,545	5.9	180,051	6.6	465,602	19.1
Home Care Products	381,553	6.8	440,052	6.5	453,747	6.5	175,948	6.5	288,859	11.9
Total	5,632,033	100.0	6,767,945	100.0	7,049,905	100.0	2,720,350	100.0	2,435,868	100.0

Product Development Milestones

We have introduced new categories of products into the Chinese market multiple times in our history. We believe that we are able to provide products that have influenced Chinese consumers' cleaning habits and promoted more efficient cleaning methods. The following table sets forth descriptions of our key milestone products:

Year of Launch	Product	Milestone	Product Achievements and Recognitions	Year in Which Retail Sales Value First Exceeded RMB500 Million
2008	Blue Moon Deep Clean Care Liquid Laundry Detergent (藍月亮深層潔淨護理洗衣液)	One of the first liquid laundry detergent products developed by a Chinese company.	"Guangdong Provincial High-Tech Product" from 2010 to 2022 by Guangdong Hi-tech Enterprise Association.	2012
2010	Blue Moon Deep Clean Care Liquid Laundry (Whitening) Detergent (藍月亮深層潔淨護理洗衣液(亮白增艶))	Our first laundry detergent with a clothing whitening formula.	China Environmental Labelling Product Certificate (中國環境標誌產品認證) from 2019 to 2022 by the Ministry of Ecology and Environment of China.	2012
2011	Blue Moon Hand-wash Laundry Detergent (藍月亮手洗專用洗衣液)	One of the first laundry detergent designed for hand-wash method in China.	"National Water Saving Product" from 2013 to 2020 by China Quality Certification Centre.	2013

Year of Launch	Product	Milestone	Product Achievements and Recognitions	Year in Which Retail Sales Value First Exceeded RMB500 Million
2015	Blue Moon Machine Wash Supreme Concentrated Plus Laundry Detergent (藍月亮機洗至尊濃縮+洗衣液)	One of the first liquid laundry detergent with concentrated technology in China.	"National Water Saving Product" from 2018 to 2021 by China Quality Certification Centre.	2017

Fabric Care Products

Our fabric care products primarily include a variety of liquid laundry detergents with different unique functions as well as laundry aids such as fabric softeners and collar cleaners. Our liquid laundry detergent products ranked first for 11 consecutive years from 2009 to 2019 in terms of market share, according to the Frost & Sullivan Report. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020 revenue from our fabric care products was HK$4,922.5 million, HK$5,917.3 million, HK$6,177.6 million, HK$2,364.4 million and HK$1,681.4 million, respectively, which accounted for 87.4%, 87.4%, 87.6%, 86.9% and 69.0% of our total revenue, respectively.

We believe that our fabric care products contributed to the product upgrades of the laundry detergent market in China, from powder laundry detergent to liquid laundry detergent, and later to concentrated liquid laundry detergent. According to the Frost & Sullivan Report, in 2008, we introduced liquid laundry detergent products in China, through products such as our Blue Moon Deep Clean Care Liquid Laundry Detergent. Subsequently in 2010, we launched Blue Moon Liquid Laundry Deep Clean Care (Whitening) Detergent, which was an upgrade to our Blue Moon Deep Clean Care Liquid Laundry Detergent and provides additional functions such as fabric whitening and treatment. Most of our laundry detergent products have remained competitive and popular amongst consumers in China for more than ten years since their launches. After establishing ourselves as one of the leaders in the liquid laundry detergents market, we recognised that laundry detergent should be developed to fit different scenarios for different consumers in their daily lives. For example, babies and young children require different laundry detergent formulae. In addition, many consumers in China still hand wash their laundry or hand wash particular pieces or parts of clothing with stains that are difficult to remove. In order to cater to different demographics and cleaning scenarios, starting in 2011, we developed and launched a number of new series of specialised laundry detergent products, including Liquid Laundry Detergent for Babies and Pre-wash and Hand-wash Liquid Laundry Detergent. In 2015, we began to apply the more efficient and environmentally-friendly concentration technology to our laundry detergent products. Subsequently in 2015, we launched laundry detergents under our "Supreme (至尊)" brand which combined advanced cleaning technology with user-friendly design.

The table below sets forth certain details of our key fabric care products:

Key Products	Year of Launch	Product Unit Size	Recommended Retail Price Range (RMB)	Sample Product Picture
Supreme Biotechnology Liquid Laundry Detergent (至尊生物科技洗衣液)	2018	660g	69	

Key Products	Year of Launch	Product Unit Size	Recommended Retail Price Range (RMB)	Sample Product Picture
Pre-wash and Hand-wash Liquid Laundry Detergent (預塗· 手洗雙用型洗衣液)	2017	500g	12.8	
Blue Moon Machine Wash Supreme Concentrated Plus Laundry Detergent (藍月亮機洗至尊濃縮+洗衣液)	2015	660g	59	
Liquid Laundry Detergent for Babies (寶寶專用洗衣液)	2013	80 to 1,000g	4.8 to 33.8	
Blue Moonlight Bleach (藍色月光衣物色漬淨)	2013	250 to 3,000g	5.3 to 28.3	
Blue Moon Liquid Laundry Deep Clean Care (Whitening) Detergent (藍月亮深層潔淨護理洗衣液(亮白增艷))	2010	500 to 3,000g	8.9 to 56.8	
Volo Disinfectant Sanitiser (衛諾衣物消毒液)	2009	1,000 to 3,000g	23.9 to 58.9	
Blue Moon Deep Clean Care Liquid Laundry Detergent (藍月亮深層潔淨護理洗衣液)	2008	500 to 3,000g	8.9 to 51.8	
Green Fabric Softener (綠色柔順劑)	2004	500 to 3,000g	6.3 to 26.9	
Delicate Fabric Laundry Detergent (絲毛淨)	1994	500g	17.3	
Stain Remover (衣領淨)	1993	250 to 550g	11.6 to 28.3	

Structural upgrade of the market: from powder to liquid

Leveraging our strong research and development capabilities, we have introduced new products that helped shape consumer habits in the development of China's laundry detergent market. In an attempt to improve the then existing laundry detergent products, we conducted extensive research and experiments for over five years beginning in 2000. We launched our first liquid laundry detergent product in 2003. Subsequently, in 2008, we launched our flagship liquid laundry detergent, Blue Moon Deep Clean Care Liquid Laundry Detergent, which was well-received by the market. The following table sets forth the areas of improvement and the technologies we developed and applied in our liquid laundry detergents:

Areas of Improvement	Technologies of our Blue Moon Deep Clean Care Liquid Laundry Detergent
• Cleaning performance	• To enhance cleaning performance, we improve the formula of our liquid laundry detergent to lift dirt to ensure cleanliness of the fabrics.
• After-wash effect	• Our proprietary liquefaction technology addressed the after-wash issues caused by powder laundry detergents, including laundry detergent residue on clothes, clogging of the washing machine and skin allergies.
• Water usage for rinsing	• Our Blue Moon Deep Clean Care Liquid Laundry Detergent can be rinsed off easily due to its low viscosity and low foam technology, thereby conserving water.

We believe that our Blue Moon Deep Clean Care Liquid Laundry Detergent was able to successfully make improvements as mentioned above and allowed us to facilitate an upgrade in China's laundry detergent market from powder to liquid.

Personal Hygiene Products

Our personal hygiene products comprise our classic liquid soap series which include a number of specialised liquid soap with different features, our children's liquid soap, and our newly introduced Jingxiang Amino Acid Moisturising Liquid Soap. We have a number of industry-leading personal hygiene products, including our liquid soap which was ranked first for eight consecutive years from 2012 to 2019 in terms of market share, according to the Frost & Sullivan Report. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020 revenue from our personal hygiene products was HK$328.0 million, HK$410.6 million, HK$418.5 million, HK$180.1 million and HK$465.6 million, respectively, which accounted for 5.8%, 6.1%, 5.9%, 6.6% and 19.1% of our total revenue, respectively.

We launched our first generation liquid soap product in 2000, which was upgraded in 2001 and 2004 to lessen irritation to sensitive skin. In 2002, to address specific needs of consumers, we launched the first-generation liquid soap for children, which was upgraded in 2008. As a result of extensive research, in 2019 we upgraded our classic antibacterial liquid soap formula and introduced our premium Jingxiang Amino Acid Moisturising Liquid Soap. Our Jingxiang Amino Acid Moisturising Liquid Soap not only maintains the cleaning standards of our classic liquid soap, but also has an upgraded formula with amino acid ingredient and an award-wining packaging design to attract younger consumers.

The table below sets forth certain details of our key personal hygiene products:

Key Products	Year Launched	Product Unit Size	Recommended Retail Price Range (RMB)	Sample Product Picture
Jingxiang Amino Acid Moisturising Liquid Soap (淨享微米泡沫氨基酸洗手露)	2019	150ml	188	
Children's Liquid Soap (including Children's Liquid Soap (兒童洗手液) **and Fruity Bubble Children's Liquid Soap** (果泡多多兒童洗手液))	2002, 2008	225g 300g	10.9 to 16.8	
Liquid Soap Series (including Antibacterial Liquid Soap (抑菌洗手液)**, Vitamin E Liquid Soap** (維生素**E**洗手液)**, Wild Chrysanthemum Liquid Soap** (野菊花洗手液)**, and Healthy Liquid Soap** (健康洗手液))	2000, 2001, 2001, 2004	500g 5kg	8.9 to 52.9	

Home Care Products

We developed a diversified home care product portfolio to address the home care needs in different consumption scenarios. We offered home care product variants under five categories, including kitchen cleaners, dish detergents, toilet and bathroom cleaners, multi-surface cleaners, and disinfectant liquid series. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020, revenue from our home care products was HK$381.6 million, HK$440.1 million, HK$453.7 million, HK$175.9 million and HK$288.9 million, respectively, which accounted for 6.8%, 6.5%, 6.5%, 6.5% and 11.9% of our total revenue, respectively.

We launched Enhanced Kitchen Cleaner in 1992. Since then, we gradually developed and introduced new home care products to diversify our portfolio. In 2000, we began to produce disinfectant liquid products and dish, fruit and vegetable wash. In 2013, we introduced our Volo bathroom products. Mostly recently in 2019, we developed our Tianlu Utensil, Fruit and Vegetable Wash with a mild and gentle formula, which can effectively remove chemicals, and introduced Skin Friendly Kitchen Cleaner and Foam Kitchen Cleaner, which were upgraded products of our Enhanced Kitchen Cleaner.

The table below sets forth certain details of our key home care products:

Key Products	Year Launched	Product Unit Size	Recommended Retail Price Range (RMB)	Sample Product Picture
Bathroom Cleaner Series (including Q Toilet Cleaner (Q廁寶), Volo Toilet Cleaner Liquid (衛諾潔廁液), Volo Toilet Cleaner Pills (衛諾潔廁寶), Volo Anti-mould Cleaner (衛諾除黴去漬劑))	2002, 2013, 2013, 2019	50g 500g	10.8 to 48	  
Dishwash, Fruit and Vegetable Wash Series (including Fruit and Vegetable Wash (果蔬淨), Natural Tea Concentrated Dishwash (茶清天然綠茶洗潔精), and Tianlu Utensil, Fruit and Vegetable Wash (天露餐具果蔬潔淨精華))	2001, 2005, 2019	100 to 1,000g	9.8 to 48	
Disinfectant Liquid Series (消毒液系列)	2000	600g 1.2kg	7.8 to 380	
Home Cleaner Series (全屋清潔系列)	1993, 1994, 1999, 2004	500g 600g 1.2kg 2kg	11.9 to 28.8	
Kitchen Cleaner Series (including Enhanced Kitchen Cleaner (強力型油污剋星), Skin Friendly Kitchen Cleaner (保護型油污剋星), Foam Kitchen Cleaner (油污剋星泡沫型))	1992, 2003, 2019	500g	14.9 to 63.8	

RESEARCH AND DEVELOPMENT

Research and Development Philosophy

Scientific research and development has been part of our corporate DNA since the early days of our operation, due to our founders' strong background in chemistry. We have a two-pronged research and development focus:

Products: Introducing new products to meet evolving consumer preferences and to upgrade user experience; and

Methods: Developing and sharing scientific and practical cleaning methods with consumers.

We believe that commitment to research and development is crucial and enables us to differentiate our products and maintain our market position. Our main goal in research and development is to provide consumers with attractive and desirable products and hassle-free user experiences. We believe that "simplicity is the ultimate sophistication (至繁，至簡)". This means that we have a relentless focus on details and a persistent drive for excellence in our research and development efforts, so as to deliver simple, elegant and user-friendly products. As a result of our efforts in research and development, as at the Latest Practicable Date, we had obtained a total of 673 registered trademarks, 152 patents and 159 copyrights in China. Please refer to the subsection headed "Intellectual Property" for details. In addition, we proactively identify rapidly changing consumer preferences and try to capture unmet consumer demands by developing new and differentiated products.

Research and Development Process

We adopt an advanced integrated product development management theory in our research and development process. Such process generally has five main steps:

- our Research and Development Technology Centre (研發技術中心) and marketing team work together to identify potential business opportunities by conducting market research, analysing market trends, technical bottlenecks, and/or other factors, taking into consideration the information accumulated from our own big data analytics and interactions between our customer service staff and consumers;

- after an opportunity is identified, our Research and Development Technology Centre conducts research on key technical issues and builds technology platforms as the foundation for the further exploration of the potential opportunity;

- after the applicable technical issue is resolved and the relevant technology platform becomes available, our Research and Development Technology Centre proposes new initiatives and conducts feasibility studies to determine whether and how to pursue such initiatives;

- once the decision to pursue the initiative is made by our management team, our Research and Development Technology Centre takes the lead to develop a new product or solution; and

- prior to the introduction of the new product or solution to consumers, our marketing department is responsible for projecting market reaction and planning accordingly together with the relevant departments (such as procurement and production). Our marketing department is also responsible for preparing the marketing strategies for the new product or solution.

Research and Development Infrastructure

As at 30 June 2020, our research and development team consisted of 157 staff members. Our core research and development team has on average approximately nine years of relevant experience in the household care industry.

For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020, our research and development expenses were HK$58.1 million, HK$55.7 million, HK$58.7 million and HK$23.8 million.

We established our Research and Development Technology Centre over 28 years ago since the inception of our operation. As at 30 June 2020, our Research and Development Technology Centre had 115 staff members. Our Research and Development Technology Centre is primarily responsible for: (i) identifying the technology development trends in the relevant industry and determining the upgrade and development strategies for our products and methods, (ii) ingredients and formulae assessment and development for all categories of our products, including assessment of the efficiency, safety and environmental impact of different ingredients, and maintenance and upgrade of existing ingredient combinations, (iii) research and development of packaging materials and technologies, including industrial design, research on the quality and environmental impact of different packaging materials, and (iv) developing the assessment standards and the relevant quality control standards for our products, conducting the overall assessment of product quality, functionality and safety of all products.

Furthermore, we have a number of laboratories at our Research and Development Technology Centre equipped with facilities for different household cleaning scenarios for product development and testing. For example, the laboratory dedicated for laundry product development is equipped with over 100 washing machines of different models and made by different manufacturers that are popular in China. Such laboratory is dedicated to studying how our products can work with these washing machines to provide the most consistent cleaning result for consumers. We simulate different scenarios that are commonly encountered in a Chinese consumer's daily life, taking into consideration various factors such as functions of different models of washing machine, fabrics, water temperature, and water quality. Additionally, we procured advanced equipment such as full-wavelength colorimeters to facilitate our assessment of the cleaning result and the respective solutions for different types of stains.

In June 2015, we established the BM Laundry Academy in our headquarters in Guangzhou, dedicated to the development and assessment of laundry products and methods. As at 30 June 2020, our BM Laundry Academy employed 42 staff members. Our researchers and engineers at the BM Laundry Academy conduct research to find the most efficient solutions to consumers' household care-related inquiries. Our BM Laundry Academy is responsible for studying issues relating to laundry activities, developing solutions for such issues, and applying the information accumulated through our consumer interactions to improve our laundry products. For instance, engineers of our BM Laundry Academy have conducted technology research on numerous pieces of clothing and categorised commonly seen stains into three categories, namely, oil stains, colour stains, and invisible stains. Our engineers also developed corresponding laundry methods to remove such stains, including pre-wash oil removal treatment for oil stains, colour stain soak method for colour stains, and milk stain soak method for invisible stains.

We have engaged certain third party research and development institutions, primarily colleges and universities, to provide additional support to our own research and development efforts. Generally, we enter into contracts with the third party institutions for specific research projects. Under the relevant contracts, we generally pay the third party institution fixed fees for the projects. Such fees are determined by both parties on a cost-plus basis and can only be used for the projects as agreed in the relevant contracts. On a case-by-case basis, the intellectual property rights of the research results and the profits therefrom may be owned solely by us or jointly owned by us and the third party institution as mutually agreed in the relevant contracts.

Case Study: Consumption Upgrade and the Relentless Focus on Details

With the growth of the PRC economy and the rise of purchasing power, consumers are increasingly focused on enhanced user experience and demanding higher cleaning standards. In 2015, we introduced the first concentrated liquid laundry detergent namely, Blue Moon Machine Wash Supreme Concentrated Plus Laundry Detergent. The development of products under the "Supreme (至尊)" brand is a testament to our research and development capabilities as well as our relentless focus on details. Such products have received a number of awards such as the Golden Pin Design Award by Taiwan Design Centre in 2017.

The laundry detergent

- *Identifying the pain points:* Through feedback from consumers, we noted consumers found that traditional laundry detergents lacked features such as (i) efficient cleaning performance and good user experience, (ii) environmentally-friendly ingredients and water and electricity conservation, and (iii) more fashionable designs and aromas.

- *Our further research and experiments:* Our research and development team conducted extensive tests and numerous experiments for over five years beginning in 2010. Additionally, we analysed consumer data accumulated from our operations to determine consumer preferences in terms of product designs and aromas.

- *Our conclusion:* Based on our extensive research and experiments, we created a concentrated liquid laundry detergent. Compared to traditional liquid laundry detergent products, it has enhanced cleaning performance, while reducing water usages and residual chemical on clothing. Additionally, to attract younger consumers, we launched concentrated liquid laundry detergents with seven different aromas. We produced seven different colours to match each aroma. According to the Frost & Sullivan Report, we were one of the first companies in China to build a portfolio of laundry detergent products with different colours and different aromas.

The pump bottle

To enhance user experiences, we strive to optimise every single aspect of our products, from the formula, to the aroma and the packaging. The self-developed pump dispenser of the products under our "Supreme (至尊)"

brand demonstrates our focus on details in order to provide the best user experience possible. We developed such pump bottle through the following steps:

- *Identifying the pain points:* Based on our research and consumer interactions, we understood that consumers would prefer to address a number of issues of liquid laundry detergent containers: (i) difficulty in measuring the amount of liquid laundry detergent to be used, and (ii) difficulty in holding and pouring from a typical liquid laundry detergent bottle that could weigh as much as three kilogrammes. After our further research and experiments, we determined that the pump dispenser worked best for the concentrated liquid laundry detergents. However, a number of technical issues needed to be resolved, including, (i) the proper concentration percentage of the laundry detergent's formula, (ii) weak dispensability of the pump dispensers available, (iii) dripping liquid from the pump after use, and (iv) difficulty in dispensing the remaining liquid after the volume decreases to a certain amount;

- *Our further research and experiments*: We conducted research on (i) the average amount of liquid laundry detergent used for daily cleaning purposes of a Chinese household, (ii) how much pressure the fingers of an average laundry detergent user in China can exert, (iii) a practical design of a pump bottle to dispense laundry detergent with the least amount of liquid residue, and (iv) the optimal angle for the pump dispenser to efficiently dispense liquid laundry detergent while preventing dripping; and

- *Our conclusion*: As a result of our research and experiments, we developed and introduced a pump dispenser in August 2015. Such pump dispenser can consistently dispense the proper amount of liquid laundry detergent with one single press. This amount of concentrated liquid laundry detergent under the "Supreme (至尊)" brand is designed to wash approximately the average laundry load for a three-person family in China according to our own market research.

In addition, to prevent dripping from the pump after use, we designed the pump dispenser with a four-degree upward-slanting slope so that undispensed laundry detergent flows back into the bottle instead of dripping from the pump.

Furthermore, taking into consideration the shape of our laundry detergent container and the height of the laundry detergent drawer of a regular washing machine, we designed a straw with an inclination angle of 150 degrees. This allows users to use the pump dispenser even if the bottle is tilted by 90 degrees, effectively limiting the final residual amount of liquid in the bottle to less than eight grammes.

CUSTOMER SERVICES

As a consumer-centric organisation, our customer services enhance our direct interaction with consumers, and potentially increase customer stickiness. Additionally, through our customer services, we deliver to consumers cleaning-related knowledge we developed. We offer to consumers both online and offline services in a timely manner. Our plan is to gradually expand the scope of our services with a focus on enhancing consumer experience and build a larger customer base with strong customer loyalty. Please refer to the subsection headed "Improve consumer experience by enriching our services" for details.

We primarily provide two main services through our online platforms and offline channels, namely our customer support services and our laundry services, to meet the needs of different consumers in different scenarios. Through our customer support services, we provide technical support and collect feedback and inquiries from consumers who would like to do cleaning work by themselves. Our laundry services provide an alternative for consumers who do not have time or are not able to perform difficult laundry tasks themselves.

Customer Support Services

We are fully committed to providing high-quality customer services, and we believe our comprehensive customer support services also form a part of the implementation of our knowledge-based marketing philosophy. As at 30 June 2020, we had a team of 2,278 full-time employees dedicated to providing customer services, including 133 customer support staff and 2,145 customer relationship management staff. The customer support staff provide customer support services via hotline, our proprietary online stores on various e-commerce platforms, our self-developed mobile apps such as Moon House (月亮小屋) app and Supreme Laundry (至尊洗衣) app and social media platforms, including WeChat and Weibo. Our customer support staff answer customer queries and try to address their concerns promptly. Our target is to address such queries within 30 seconds if we already have a solution based on our previous experiences. The staff will schedule a time with the customer for a return call with a potential solution formulated by our research and development team if it is a novel issue that cannot be addressed immediately. Please refer to the subsection headed "Research and Development" for details of our research and development effort. In addition, our staff also deliver cleaning methods and how to best utilise our products to consumers, through which we believe we have gained consumer trust. For the year ended 31 December 2019 and the six months ended 30 June 2020, we answered inquiries from approximately 140,000 and 70,000 consumers, respectively.

Laundry Services

We began providing laundry services in July 2012 at our Blue Moon Laundry Centre in Guangzhou. As we received positive feedback from our consumers, we upgraded our laundry services to cover personalised and more complicated laundry requests, including laundry difficulties that consumers encounter. In September 2016, we established our Supreme Laundry (至尊洗衣) app to provide a more convenient laundry solution to our consumers. Our consumers can order our services, including regular laundry, dry cleaning, wedding gown and suits laundry, home textile cleaning, and leather treatment, among others, on our Supreme Laundry (至尊洗衣) app. After the order is placed, we will pick up the clothing and bring it back to the local Blue Moon Laundry Centre for professional laundry and relevant treatment. After the task is completed, we will return the clothing to the customer.

In addition to our traditional laundry services for retail customers, in June 2017, we established partnerships with corporate partners to provide laundry services for their business operations. We provide more convenient pickup options to employees of our corporate partners, and we regularly collect dirty laundry from the designated location at our corporate partners' site and return cleaned clothes to the same location. For certain corporate partners, we established onsite laundry shops staffed with our employees. During the Track Record Period, we provided such services to approximately 50 corporate partners, primarily including media companies, car dealerships, finance companies, law firms and hotels. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020, our revenue generated from providing laundry services were HK$1.1 million, HK$2.3 million, HK$2.7 million, HK$1.6 million and HK$0.8 million.

KNOWLEDGE-BASED MARKETING

Marketing Philosophy: Knowledge-Based Marketing

Our marketing and promotion efforts have been a crucial component of our success. We have adopted a knowledge-based marketing philosophy. Our goal is not limited to the promotion of our products or brand, but also to seek to deliver household care-related knowledge and insight based on our research and production experience to consumers, thereby enhancing brand loyalty.

Marketing Team and Channels

Our marketing team and sales team are jointly responsible for the design and implementation of our marketing strategies and campaigns. As at 30 June 2020, our marketing team had a total of 181 staff members. As at the same date, our sales team consisted of a total of 4,582 full-time employees, 157 part-time employees and 458 contract workers.

We have implemented our knowledge-based marketing philosophy through various channels, including, (i) online marketing, including marketing events hosted on social media platforms and e-commerce platforms, (ii) offline marketing, primarily through our cleaning consultants at retail points of sale, (iii) special events, including our sponsorship of nationally televised programmes and offline themed events we organise from time to time, and (iv) commercial advertisements, including celebrity endorsement.

Online Marketing

We were one of the first companies in the household care industry in China to utilise online sales channels, and online marketing has always been one of our strategic priorities. We have a dedicated online marketing team focusing on the development of online marketing campaigns on various online platforms, including e-commerce platforms, social media platforms, and our mobile apps. We deploy advertising campaigns through social media platforms to deliver cleaning knowledge to consumers. Additionally, based on our insight into online consumer shopping habits, we actively promote multi-item combo packs as part of our marketing strategies.

We work with e-commerce platforms and participate in special sales events organised by these online platforms. For instance, we participate in the Singles' Day sales event on Tmall and JD.com's 618 Shopping Festival. We generally participate in the sales activities organised by the e-commerce platform and utilise online resources such as live streaming and recorded videos to illustrate our products and cleaning methods. Our brand ranked first in terms of transaction value of laundry products at prominent online sales events such as Singles' Day sales and JD.com's 618 Shopping Festival in 2019. Our online marketing activities on e-commerce platforms provide us with opportunities to effectively interact with consumers, enable us to collect sales data and allow us to promptly respond to changes in consumer demand. As at the Latest Practicable Date, our proprietary online stores on various e-commerce platforms had over 24 million followers.

Offline Marketing

We assign cleaning consultants (清潔顧問) to our retail points of sale, in particular at hypermarkets and supermarkets across China. They are different from traditional sales assistants as they are all well-equipped with household care knowledge and can provide pre-sale consultancy services to consumers. At the same time, being important facilitators in our implementation of knowledge-based marketing philosophy, our cleaning consultants answer consumer inquiries and interact with consumers on a regular basis.

Special Events

We sponsor nationally recognised television programmes and organise special events to promote brand awareness, differentiate our products from those offered by our competitors and deliver household care knowledge to the general public.

The below table sets forth the highlights of our recent marketing and promotional events.

Event Name	**Year(s)**	**Description & Highlights**
Laundry Master (洗衣大師)	2016	We trained volunteers to be "laundry masters" and produced promotional videos starring these volunteers.
Scientific Laundry Across China (科學洗衣中國行)	2015 to present, annually	We provided laundry-related knowledge and advice to consumers across China.
Blue Moon Festival (藍月亮節)	2013 to present, annually	At the time close to the Mid-Autumn Festival, we organise a series of online and offline events to promote our brand awareness.

Laundry Master (洗衣大師)

In December 2016, we launched a marketing campaign titled "Laundry Master" and collaborated with CCTV to reach a larger audience base. We intended to not only provide educational information relating to household care, but to also transform the participants of such event into KOLs for our products and services regardless of their respective geography and occupation. We trained volunteers on various topics related to our products and laundry knowledge, and produced promotional videos broadcasted on CCTV.

The success of the "Laundry Master" event is demonstrated by the large number of audiences, the diversity of the participants, as well as the awards it has received. In 2017, within one year of the "Laundry Master" event being held, 180 videos were broadcasted on CCTV. Participants came from a number of provinces in China. In 2018, at the 25th China International Advertising Festival organised by the China Advertising Association, the "Laundry Master" was awarded the gold prize in the brand building category. In the same year, at the ADMEN International Awards, our "Laundry Master" campaign won the gold award for practice case in the category of digital marketing.

Scientific Laundry Across China (科學洗衣中國行)

In 2015, to help consumers understand the science behind daily laundry tasks and solve their laundry-related difficulties, we organised the "Scientific Laundry Across China" event. The main events and highlights of the event are as follows:

- The theme of our "Scientific Laundry Across China" was "saving a million pieces of clothing". We cleaned clothing that were difficult to wash for the consumers and taught them our cleaning methods;
- We held cleaning knowledge lectures and consumer interactive sessions in a variety of locations, including marketplaces, communities, factories, office buildings and colleges; and
- We leveraged a number of our media partners to promote such event, including China National Radio and "Where Are We Going, Dad (爸爸去哪兒)", a popular reality show on Hunan TV.

As at 30 June 2020, we had held lectures in over 800 enterprises and over 40 residential communities.

Blue Moon Festival (藍月亮節)

In August 2013, we launched the promotion event, the "Blue Moon Festival", which we have held every year for seven consecutive years. The event has been held in the third quarter of each year close to the date of the Mid-Autumn Festival, also known as the moon festival, which is one of the most celebrated traditional Chinese festivals. As a highlight of the Blue Moon Festival, we sponsor the CCTV and Hunan TV Mid-Autumn Festival gala. In 2019, the CCTV Mid-Autumn Festival gala had approximately an audience of 192 million viewers via cable TV. In the same year, the Hunan TV Mid-Autumn Festival gala had an audience of over 54 million viewers on Mango TV and Tencent Video.

Commercial Advertisement

We use commercial advertisements on television channels, billboards, newspapers and magazines. We generally advertise our brand and products on the PRC state media, influential local television channels, and popular newspaper and magazines. In addition, we have a long history of successful partnerships with celebrities from different industries, particularly, celebrities in the fashion and entertainment industry to promote brand awareness of our "Supreme (至尊)" brand and attract consumers of the younger generation. For example, from August 2017 to present, international super model, Liu Wen, has been our brand ambassador.

SALES AND DISTRIBUTION NETWORK

We have an omni-channel sales and distribution network, which encompasses a number of online and offline sales channels, thereby allowing consumers to engage with us through multiple channels of their choice. According to the Frost & Sullivan Report, we were one of the first companies in the household care industry in China to utilise online sales channels, as we commenced selling products via e-commerce platforms in July 2012 and have subsequently secured our leading position in online sales and marketing in China's household care industry. Over almost a decade of cooperation with major e-commerce platforms, we achieved success in our online sales and became key business partners with certain major e-commerce platforms in China. In addition, as at 30 June 2020, our offline sales and distribution network covers all provinces in China.

Our omni-channel sales and distribution network comprises the following:

- Online sales through the following channels:

  (i) Sales to e-commerce platforms: this comprises our sales to major e-commerce platforms in China, including Tmall, JD.com, and Suning, and our sales to various emerging e-commerce platforms, including social e-commerce platforms, such as Pinduoduo, fresh foods e-commerce platforms, and the online procurement systems of corporations; and

  (ii) Sales to consumers through online stores: this comprises (a) our sales to consumers through our online proprietary stores on various major e-commerce platforms, such as JD.com, Tmall, Taobao.com, Suning and Pinduoduo, social media platform, such as WeChat (through the WeChat mini-programme), and our self-developed mobile apps, and (b) our sales to consumers through third party online stores;

- Direct sales to key account clients: this comprises our direct sales to offline key account clients, including hypermarkets and supermarkets such as RT-Mart, Walmart, Carrefour, Vanguard and Century Lianhua; and

- Offline distributors: this comprises sales to offline distributors that resell our products to hypermarkets, supermarkets, standalone supermarkets, convenience stores, local grocery stores, gas stations, certain small vendors in the residential communities of smaller cities which has been our marketing focus in recent years and certain corporations that make procurement for resale or internal use.

We believe it is an industry norm to adopt an online and offline sales and distribution model and our utilisation of the omni-channel sales and distribution network provides operational efficiency and increases our sales. The table below sets forth a breakdown of revenue contribution by channel during the Track Record Period:

	Year ended 31 December						**Six months ended 30 June**			
	2017		**2018**		**2019**		**2019**		**2020**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Online Sales Channels	1,866,516	33.1	2,718,155	40.2	3,328,158	47.2	1,561,731	57.4	1,431,570	58.8
Direct Sales to Key Account Clients	703,245	12.5	820,191	12.1	996,582	14.1	302,299	11.1	187,707	7.7
Offline Distributors	3,062,272	54.4	3,229,599	47.7	2,725,165	38.7	856,320	31.5	816,591	33.5
Total	**5,632,033**	**100.0**	**6,767,945**	**100.0**	**7,049,905**	**100.0**	2,720,350	100.0	2,435,868	100.0

We select and regularly evaluate our sales and distribution partners in each region based on a number of factors, including their sales experience, reputation, breadth and quality of sales network, logistics and transport capabilities, and management of customer relationship. As at the Latest Practicable Date, none of our Directors, their associates or any other Shareholder which, to the knowledge of our Directors, owns more than 5% of our share capital had any interest in any of our sales and distribution partners.

Online Channels

Leveraging the rapid growth of e-commerce in China, we began utilising online sales channels to market and distribute products since as early as July 2012. We sell our products directly to certain e-commerce platforms. We also sell our products to consumers through our proprietary online stores on such e-commerce platforms and third party online stores. Building on our extensive experience in working with major e-commerce platforms, we explored and expanded into new online sales channels. We work with a number of emerging e-commerce platforms such as social e-commerce platforms, fresh foods e-commerce platforms, and the online procurement systems of corporations to further expand our presence in the online market and serve a broader consumer base. Furthermore, we began to sell our products through WeChat in August 2015, and developed and launched our proprietary Moon House (月亮小屋) app in August 2015 and Supreme Laundry (至尊洗衣) app in September 2016, both of which have built-in online shopping features.

During the Track Record Period, a significant portion of our revenue was generated through our online sales channels, which accounted for 33.1%, 40.2%, 47.2%, 57.4% and 58.8% of our total revenue for the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020, respectively. We believe that our sales through online channels not only appeal to consumers who are increasingly tech-savvy and have a strong preference for convenient shopping experiences, but also enable us to consistently increase our market share and expand our targeted consumer base.

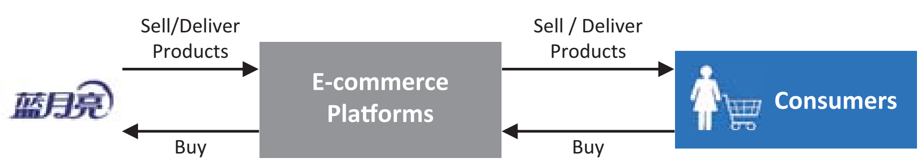
The below table sets forth the breakdown of our revenue contributions per online sales channel during the Track Record Period:

	Year ended 31 December						**Six months ended 30 June**			
	2017		**2018**		**2019**		**2019**		**2020**	
	Revenue	**% of Total Revenue From Online Sales Channels**	**Revenue**	**% of Total Revenue From Online Sales Channels**	**Revenue**	**% of Total Revenue From Online Sales Channels**	**Revenue**	**% of Total Revenue From Online Sales Channels**	**Revenue**	**% of Total Revenue From Online Sales Channels**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Online Sales Channels										
Sales to E-commerce Platforms	1,479,292	79.3	1,924,890	70.8	2,166,462	65.1	1,097,896	70.3	904,279	63.2
Sales to Consumers through:										
Our proprietary online stores	310,425	16.6	634,177	23.3	888,765	26.7	359,241	23.0	378,449	26.4
Third party online stores	76,799	4.1	159,088	5.9	272,931	8.2	104,594	6.7	148,842	10.4
Total	**1,866,516**	**100.0**	**2,718,155**	**100.0**	**3,328,158**	**100.0**	**1,561,731**	**100.0**	**1,431,570**	**100.0**

Sales to E-commerce Platforms

To reach more online consumers and promote our products in an efficient manner, since July 2012, we began to sell our products to e-commerce platforms, including major e-commerce platforms and emerging e-commerce platforms in China. As at the Latest Practicable Date, substantially all of these e-commerce platforms and their operators were primarily engaged in the e-commerce business in China. Since November 2016, we began working with certain e-commerce platforms that purchase products from us and distribute them to small offline vendors in lower-tier cities. These relationships are in line with our focus on lower-tier cities in which our products have a relatively lower penetration rate and higher growth potential. Since August 2019, we began working with fresh foods e-commerce platforms to increase our online coverage. As at 30 June 2020, we entered into a buyer and seller relationship with 79 e-commerce platforms. Revenue from these e-commerce platforms is recognised upon the transfer of control of the products. During the Track Record Period, all of these e-commerce platforms were Independent Third Parties and, to the best knowledge of our Directors, there was no past or present relationship, including employment, financing, family or otherwise, between the operators of these e-commerce platforms (including their directors, shareholders and senior management, and their respective associates) and us.

The following diagram illustrates our sales to e-commerce platforms:



The following table illustrates revenue contribution from major e-commerce platforms during the Track Record Period:

		Year ended 31 December	
		2017	
No.	**E-commerce platform**	**Revenue contribution**	**% of total revenue from online sales**
		(HK$'000)	
1.	E-commerce platform A	806,140	43.2%
2.	E-commerce platform B	368,400	19.7%
3.	E-commerce platform C	81,600	4.4%
4.	E-commerce platform D	70,790	3.8%
5.	E-commerce platform E	58,460	3.1%

No.	E-commerce platform	Year ended 31 December 2018 Revenue contribution	Year ended 31 December 2018 % of total revenue from online sales
		(HK$'000)	
1.	E-commerce platform A	731,980	26.9%
2.	E-commerce platform B	492,490	18.1%
3.	E-commerce platform E	202,920	7.5%
4.	E-commerce platform F	168,130	6.2%
5.	E-commerce platform G	150,360	5.5%

No.	E-commerce platform	Year ended 31 December 2019 Revenue contribution	Year ended 31 December 2019 % of total revenue from online sales
		(HK$'000)	
1.	E-commerce platform A	822,800	24.7%
2.	E-commerce platform B	645,400	19.4%
3.	E-commerce platform E	193,350	5.8%
4.	E-commerce platform F	191,300	5.7%
5.	E-commerce platform G	189,670	5.7%

No.	E-commerce platform	Six months ended 30 June 2020 Revenue contribution	Six months ended 30 June 2020 % of total revenue from online sales
		(HK$'000)	
1.	E-commerce platform A	458,100	32.0%
2.	E-commerce platform B	189,100	13.2%
3.	E-commerce platform E	96,780	6.8%
4.	E-commerce platform G	83,760	5.9%
5.	E-commerce platform H	7,190	0.5%

The below table sets forth the total number of the e-commerce platforms we worked with and the movement (including addition and termination) of e-commerce platforms during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2017	2018	2019	2020
Number of E-commerce Platforms at the Beginning of the Period	19	40	55	82
Number of New E-commerce Platforms	21	23	35	14
Number of Terminated E-commerce Platforms[(1)]	–	8	8	17[(2)]
Number of E-commerce Platforms at the End of the Period	40	55	82	79

Notes:

(1) The termination was primarily because such e-commerce platforms did not meet our evaluation standards. We take various factors into consideration in evaluating e-commerce platforms, such as their sales performance, reputation, popularity and general working relationship with us. The termination decision is not solely dependent on one or a particular set of factors, but rather it is based on a comprehensive evaluation of the relevant facts and circumstances at the time. After the termination of such relationships, we settle accounts with the terminated e-commerce platform and generally do not allow return of unsold products from these terminated e-commerce platforms. There was no return of unsold products from the terminated e-commerce platforms during the Track Record Period.

We consider the arrangement with an e-commerce platform to be terminated when such e-commerce platform does not contribute any revenue in a given year. We did not terminate any e-commerce platform in the year ended 31 December 2017. The number of e-commerce platforms we terminated during the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 were eight, eight and 17, respectively. The aggregate revenue attributable to the terminated e-commerce platforms during the Track Record Period was HK$91.0 million, HK$11.9 million, HK$3.7 million, and nil for the years ended 31 December 2017, 2018, 2019 and the six months ended 30 June 2020, respectively.

(2) We assume these terminated e-commerce platforms will not contribute any revenue to us for the rest of the year ending 31 December 2020.

Key Terms of Agreements with E-commerce Platforms

We generally enter into short-term merchandise agreements with e-commerce platforms. These agreements specify a variety of terms, including the payment method, pricing policies and delivery arrangements. We use the standardised merchandise agreement of each e-commerce platforms. During the Track Record Period, there was no material breach of the merchandise agreements. The key terms of the merchandise agreement are summarised as follows:

Duration	:	Generally one year subject to annual renewal.
Payment and credit terms	:	E-commerce platforms are generally required to settle the outstanding payment within 30 to 60 days once the products

		have been delivered to them. We may, from time to time, accommodate requests to extend the credit terms from certain major e-commerce platforms.
Delivery of products	:	We assign Independent Third Party logistics companies to carry out the delivery. The relevant logistics costs are borne by us.
Transfer of risks	:	The risks transfer to the e-commerce platforms after they complete inspection and confirm the receipt of our products.
Product returns/exchanges	:	We generally do not allow product returns other than in the cases of product defects, packaging defects and other special circumstances.
Sales target and volume discounts	:	We do not set a sales target. For certain e-commerce platforms, if the total purchase amount in a period exceeds a mutually agreed amount, we may provide them with a sales rebate, ranging from 0.5% to 6%, of the total net purchase amount (including the relevant taxes) as stipulated in the agreement.
Minimum purchase requirements	:	We do not set any minimum purchase requirements.
Pricing policy	:	We provide the recommended retail price to e-commerce platforms. The price at which we sell the products on the e-commerce platforms is determined by both parties on a cost-plus basis with reference to a number of factors, including, but not limited to, the relevant production, logistics and packaging costs, the applicable taxes, and the profit that the e-commerce platform could earn.
Termination	:	Each party may unilaterally terminate the contract by providing a 30-day notice, if such termination was not caused by the other party's breach. E-commerce platforms may unilaterally terminate the agreement if we breach the agreement and do not rectify our breach in seven days or upon the occurrence of a number of stipulated events, including operation beyond our business scope, insolvency, or other circumstances rendering us unable to perform our contractual obligations.

Sales to Consumers through Online Stores

Our online sales to consumers are primarily conducted through (i) our proprietary online stores on various online channels including, e-commerce platforms, social media such as WeChat (through the WeChat mini-programme), and our Moon House (月亮小屋) app and Supreme Laundry (至尊洗衣) app, and (ii) third party online stores.

Sales to consumers through our proprietary online stores

In order to provide a seamless shopping experience for our consumers, further enhance brand awareness among younger generations, and engage directly with consumers, we launched our first proprietary online store on Tmall in July 2012. Over the years, we subsequently launched several proprietary online stores on various major and emerging e-commerce platforms in China, such as JD.com, Suning, Pinduoduo, Vipshop and Beidian. Furthermore, we began to sell our products through WeChat in August 2015, developed and launched our proprietary Moon House (月亮小屋) app in August 2015 and Supreme Laundry (至尊洗衣) app in September 2016, both of which have built-in online shopping features.

The following diagram illustrates our sales to consumers through our online proprietary stores:

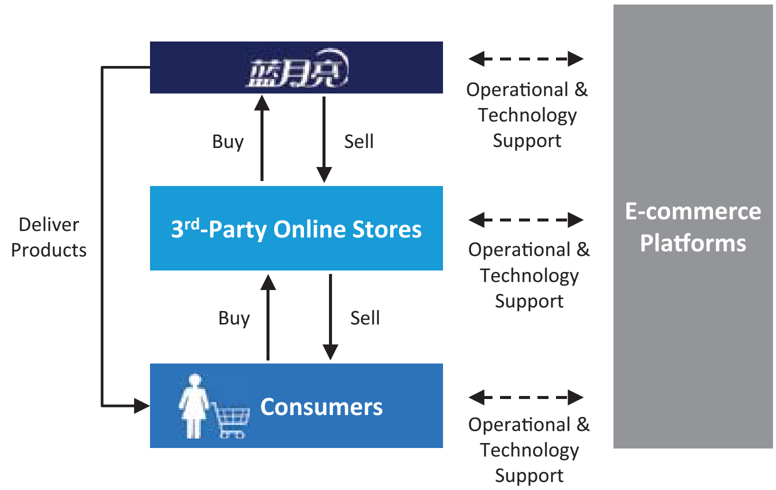
According to the Administrative Measures on Internet-based Information Services (《互聯網信息服務管理辦法》, the "**Information Services Measures**") and the Administrative Measures on Telecommunications Business Permits (《電信業務經營許可管理辦法》, the "**Telecommunication Business Permits Measures**" and together with the Information Services Measures, the "**Administrative Measures**"), telecommunications business licences may be required for commercial internet-based information services, which include the provision of information services for compensations, creation of web pages for online users and other services through the internet. Our online commercial activities constitute sales of products to consumers, rather than commercial internet-based information services. Additionally, the Guangdong Communication Administration, being the competent authority as advised by our PRC legal advisers, made an announcement on its official website on 4 December 2019 to further clarify that when an enterprise directly sells products or services provided by itself or other parties through its own website, and no third party sells products or services on such website on their own behalf, the business of such enterprise does not constitute a value-added telecommunications business, and as a result, such enterprise is not required to obtain a value-added telecommunications business licence. Furthermore, based on our consultation with the Guangdong Communication Administration on 20 April 2020, our sales to consumers through our proprietary online stores on various third party e-commerce platforms and self-developed mobile apps do not constitute commercial internet-based information services within the scope of the Administrative Measures. Therefore, our PRC legal advisers are of the view that telecommunications business licences are not required for our online sales activities for the following reasons: (i) when we sell products on third party e-commerce platforms, these third party platforms, rather than us, may need to obtain telecommunications business licenses, and (ii) when we sell products on our self-developed mobile apps, there is no third party sales of products or services (whether fee based or not) on our self-developed mobile apps. Furthermore, as advised by our PRC legal advisers, none of our operations is subject to foreign ownership restriction as stipulated in the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (《外商投資准入特別管理措施(負面清單)》(2020年版)) in the PRC.

Sales to consumers through third party online stores

We began our sales through third party online stores by working with certain e-commerce platforms since August 2016. Such e-commerce platforms operate online marketplaces where brands like us sell products to consumers through third party online stores. Such online stores are generally operated by third party online vendors that engage in the online sales of consumer and other goods. We have a buyer and seller relationship with the third party online stores.

The online stores receive orders from consumers, then such e-commerce platform automatically places matching orders with us. Upon receiving the orders from the online stores, we deliver our products to the consumers directly according to the purchase orders they place through the online stores, while such online stores do not take inventories. We provide recommended retail prices to the online stores, and charge a mutually agreed price for our products at a discount to such recommended retail prices. Consumers make payments based on the final sales price set by the online stores directly to the e-commerce platforms. Upon receipt of a payment, the e-commerce platform allocates the aforementioned agreed price to us while allocating the difference between such agreed price and the final sales price to the online store. We recognise the amount of the fixed price allocated to us as revenue. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020, revenue from sales to consumers through third party online stores was HK$76.8 million, HK$159.1 million, HK$272.9 million, HK$104.6 million and HK$148.8 million, respectively, which accounted for 1.4%, 2.4%, 3.9%, 3.8% and 6.1% of our total revenue for the same periods, respectively. During the Track Record Period, one of such third party online stores, Xumei Home Essentials Store (旭美居家日用品店), was owned by the sister-in-law of Mr. Luo. Its transaction amounts with us were RMB0.4 million, RMB3.7 million, RMB17.8 million, and RMB10.6 million for the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020, respectively. We terminated our relationship with such third party online store in June 2020. To the best knowledge of our Directors, during the Track Record Period, other than the abovementioned third party online store, all of our third party online stores were Independent Third Parties and there was no past or present relationship, including employment, financing, family or otherwise, between the operators of these third party online stores (including their directors, shareholders and senior management, and their respective associates) and us.

The following diagram illustrates our sales to consumers through third party online stores:



The following table sets forth the total number of the third party online stores we worked with and the movement (including addition and termination) of third party online stores during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2017	2018	2019	2020
Number of Third Party Online Stores at the Beginning of the Period	238	329	379	448
Number of New Third Party Online Stores	217	252	218	135
Number of Inactive Third Party Online Stores	126	202	149	204[(1)]
Number of Third Party Online Stores at the End of the Period	**329**	**379**	**448**	**379**

Note:

(1) We consider the arrangement with a third party online store to be inactive when such third party online store does not conduct any transaction with us in a given year. We do not actively manage our network of third party online stores. There were more inactive third party online stores in the six months ended 30 June 2020 because such third party stores did not conduct any transaction with us during that six-month period. Such numbers in the above table are for illustrative purpose only and do not indicate that these inactive third party online store will not conduct any transactions with us in the rest of the year ending 31 December 2020.

Key rules with third party online stores

Under this transaction model, the third party online stores and we are subject to the rules and guidance set out by the e-commerce platforms. Key rules are set out as follows:

Duration	:	Not specified.
Payment term	:	The e-commerce platform allocates an agreed price to us while allocating the difference between such agreed price and the final sales price to the online stores.

Delivery of products	:	We assign logistics companies which are Independent Third Parties to deliver products to consumers as per the instructions from third party online stores. The logistics cost will either be borne by us or the relevant consumer depending on the commercial arrangement we have with the relevant third party online store.
Transfer of risks	:	Not applicable. The third party online stores do not take any inventory.
Product returns/exchanges	:	No product returns by the third party online stores since they do not take any inventory. According to the rules set out by the e-commerce platforms, we allow product returns by consumers within a certain period of time determined by the e-commerce platform. If a consumer makes a claim to return a product due to it being a defective or counterfeit product or due to a misrepresentation or a misleading product description and provides sufficient proof of such claim, the e-commerce platform will provide a refund to the relevant consumer. Such amount will be deducted from the payment made by such consumer to the e-commerce platform.
Sales target and volume discounts	:	Not specified.
Minimum purchase requirements	:	Not specified.
Pricing term	:	We provide recommended retail prices to the online stores.
Termination	:	Either party may voluntarily terminate the relationship with the counterparty based on negotiation. The e-commerce platform tracks overall performance of the third party online stores and us, including any non-compliance with the rules and guidance of the e-commerce platform, and has the right to terminate the relationship with any underperforming party.
Dispute resolution	:	In general, either party can request for a conciliation by the e-commerce platform if any dispute arises from the transaction on the e-commerce platform.

Direct Sales to Key Account Clients

We engage a number of direct sales key account clients (the "**direct sales KAs**") across China consisting of hypermarkets and supermarkets, such as RT-Mart, Auchan, Carrefour, Vanguard and Century Lianhua. As at 31 December 2017, 2018 and 2019, and 30 June 2020, we had a network of 11, 13, 14 and 15 direct sales KAs. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020, revenue generated from our direct sales KAs was HK$703.2 million, HK$820.2 million, HK$996.6 million, HK$302.3 million and HK$187.7 million, respectively, accounting for 12.5%, 12.1%, 14.1%, 11.1% and 7.7% of our total revenue, respectively. Revenue from these direct sales KAs is recognised upon the transfer of control of the products. We have a seller-buyer relationship with our direct sales KAs and retain no ownership over the products that we sell to them.

During the Track Record Period, we have maintained good working relationships with our direct sales KAs and the total number of our direct sales KAs was relatively stable. We select and regularly evaluate our direct sales KAs in each region based on a number of factors, including their business scale, number of retail outlets, network coverage and their reputation. During the Track Record Period, all of our direct sales KAs were Independent Third Parties. As at the Latest Practicable Date, none of our Directors, their associates or any other Shareholder which, to the knowledge of our Directors, owns more than 5% of our share capital had any interest in any of our direct sales KAs.

Key Terms of Agreements with Direct Sales to Key Account Clients

We generally enter into annual or biennial merchandise agreements with our direct sales KAs. These agreements specify a variety of terms, including the payment method, pricing policies and delivery arrangements. During the Track Record Period, we did not experience any material breach by our direct sales KAs. The following table presents key terms of the merchandise agreement:

Duration	:	Generally between one to two years, subject to renewal.
Payment and credit terms	:	We issue an invoice to the direct sales KAs after the relevant products have been delivered to the direct sales KAs. Direct sales KAs are required to settle the outstanding payment within 30 to 60 days. We may, from time to time, accommodate requests to extend the credit terms from certain major direct sales KAs.
Delivery of products	:	Generally, we arrange delivery services with a third party logistics company and the relevant costs are borne by us.
Transfer of risks		The risks transfer to the direct sales KAs after they confirm receipt of such products.
Product returns/exchanges	:	During the Track Record Period, we allowed unconditional product returns for certain direct sales KAs other than goods that cannot be returned or exchanged, such as goods that are not in a resalable condition. Such direct sales KAs are multi-national hypermarket chains or China's leading hypermarket chains. As at the Latest Practicable Date, there was only one direct sales KA which was subject to the unconditional product return right according to the relevant agreement. We agreed to grant the unconditional product return clauses to the direct sales KAs due to commercial considerations, such as their leading positions and broad network, which allow us to reach a vast number and broader base of consumers. We may face risks associated with unconditional product return, please refer to the

		section headed "Risk Factors – Risks Relating to our Business and Industry – Our sales and distribution partners may accumulate excessive or obsolescent inventory and any excessive build-up of inventory could affect the volume of future orders from our distributors" for details. For other direct sales KAs that are not entitled to unconditional product returns, they may return or exchange products under certain circumstances, such as when products are defective, poorly packaged, damaged, delivery specifications are not met, when the quantity delivered was inconsistent with the purchase order or slow-moving products. Such direct sales KAs also have an option to accept a purchase discount in lieu of product return or exchange.
Sales target and volume discounts	:	We do not set a sales target for our direct sales KAs. During the Track Record Period, for certain direct sales KAs, if the total purchase amount in a period exceeds a mutually agreed amount, we may provide them with a sales rebate, ranging from 2% to 15% (the 15% rebate was only provided to one direct sales KA and the 12% rebate was only provided to another direct sales KA, and other relevant direct sales KAs enjoy a rebate ranging from 2% to 7.5%) of the total purchase amount as stipulated in the merchandise agreement accordingly.
Minimum purchase requirements	:	We do not set any minimum purchase requirements for our direct sales KAs.
Pricing policy	:	We provide recommended retail price to direct sales KAs. The price of our products is determined by both parties with reference to, among other things, production, logistics and packaging costs, the applicable taxes, and the profit that the direct sales KAs could earn.
Termination	:	Each party may unilaterally terminate the agreement by providing 30 days' notice, if such termination was not caused by the other party's breach. Each party may unilaterally terminate the agreement without notice in the event of: (i) the other party failing to perform its contractual obligations by reasons of force majeure for more than two months continuously, (ii) the other party becoming bankrupt, insolvent, or unable to repay its debts, or (iii) a government authority or agency decision or ruling rendering the agreement unenforceable.

Offline Distributors

We depend on effective sales networks to deliver products to consumers by engaging with offline distributors across all provinces in China. Our offline distributors resell our products to hypermarkets, supermarkets, convenience stores and gas stations such as Seven-Eleven, CNPC gas stations, Sinopec gas stations and certain small vendors in residential communities, particularly small vendors in lower-tier cities in China. As at the Latest Practicable Date, substantially all of our offline distributors were primarily engaged in the business of distributing consumer goods in China.

As at 30 June 2020, we sold our products to 1,403 offline distributors covering all provinces in China, which allowed us to increase our market share and launch new products to the market in a relatively short timeframe. We enter into buyer and seller relationships with all of our offline distributors. Our offline distributors are primarily engaged in the consumer goods distribution business. We consider a number of factors in selecting distributors, including their brand and reputation in the relevant industry, their overall business management and financial performance, their track record, and their warehousing and logistics capabilities, among others.

For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020, revenue generated from our offline distributors was HK$3,062.3 million, HK$3,229.6 million, HK$2,725.2 million, HK$856.3 million and HK$816.6 million, respectively, and accounted for 54.4%, 47.7%, 38.7%, 31.5% and 33.5% of our total revenue, respectively. Revenue from these offline distributors is recognised upon the transfer of control of the products. The following table illustrates details of our offline distributors and their respective revenue contribution by their operating scales during the Track Record Period:

Registered capital[1] (RMB)	Year ended 31 December									Period ended 30 June		
	2017			2018			2019			2020		
	Number of offline distributors	Revenue contribution (RMB'000)	% of total revenue	Number of offline distributors	Revenue contribution (RMB'000)	% of total revenue	Number of offline distributors	Revenue contribution (RMB'000)	% of total revenue	Number of offline distributors	Revenue contribution (RMB'000)	% of total revenue
Over five million	91	580,909	11.9%	116	709,046	12.2%	113	601,431	9.6%	120	113,259	5.1%
One to five million	332	913,781	18.7%	381	1,003,878	17.3%	388	858,860	13.8%	425	264,509	12.0%
Less than one million [2]	752	1,048,616	21.5%	809	950,830	16.4%	766	833,900	13.4%	858	313,519	14.2%
Subtotal for offline distributors[5]	**1,175[3]**	**2,543,306[4]**	**52.1%**	**1,306[3]**	**2,663,754[4]**	**45.9%**	**1,267[3]**	**2,294,191[4]**	**36.8%**	**1,403[3]**	**691,287[4]**	**31.3%**

Notes:

(1) The registered capital information was from public sources as at 30 June 2020.

(2) This category also includes non-corporate entities which we could not ascertain their registered capital information from public sources as at 30 June 2020.

(3) The number of offline distributors for the period (as set out in the table above) represents the number of offline distributors as at the end of such period, excluding those which had ceased to be offline distributors during such period (the "**Terminated Distributors**").

(4) As the number of offline distributors for the period (as set out in the table above) does not include the Terminated Distributors, the total revenue contribution from offline distributors for such period (as set out in the table above) does not include any revenue contribution from any Terminated Distributor during such period. As our moon cabin business does not involve any offline distributor, the total revenue contribution from offline distributors for the period (as set out in the table above) also does not include any revenue contribution from our moon cabin business during such period. In contrast, the total revenue contribution from offline distributors for the same period (as set out in the breakdown of revenue contribution by channel during the Track Record Period in the section headed "Business – Sales and Distribution Network" (the "**Breakdown of Revenue Contribution by Channel**")) includes: (i) the revenue contribution from the Terminated Distributors during such period, and (ii) the revenue contribution from our moon cabin business during such period. On the basis of the foregoing, the total revenue contribution from offline distributors for the period as set out in the table above was less than the total revenue contribution from offline distributors for such period as set out in the Breakdown of Revenue Contribution by Channel. Our moon cabin business includes offline direct sales to corporations for their internal use, offline direct sales to consumers, promotion of household cleaning knowledge and offline promotional events (such as community group purchase). The revenue contribution from our moon cabin business during the Track Record Period was only 1.3%, 0.7%, 1.1% and 5.0% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. The percentage of revenue contribution from our moon cabin business increased in the six months ended 30 June 2020 primarily because (i) we sold more personal hygiene and home care products to corporations for their internal use due to increasing hygiene awareness as a result of the COVID-19 outbreak, and (ii) there was a decrease in our total revenue as a result of the adverse impact of the COVID-19 outbreak. For the purpose of the Breakdown of Revenue Contribution by Channel, the revenue contribution from our moon cabin business during the Track Record Period is aggregated with the revenue contribution from our offline distributors during the Track Record Period.

(5) The following table illustrates a reconciliation of the subtotal revenue contribution for offline distributors and revenue contribution for the offline distribution channel.

	Year ended 31 December			Period ended 30 June
	2017	**2018**	**2019**	**2020**
		(RMB'000)		
Subtotal for offline distributors	2,543,306	2,663,754	2,294,191	691,287
Add:				
Revenue from the moon cabin business	62,506	40,501	67,830	110,450
Revenue from the terminated offline distributors	32,880	50,130	55,570	(1,230)
Other adjustments[1]	14,463	10,446	(3,377)	(61,912)
	2,653,155	2,764,831	2,414,214	738,595
Exchange rate	1.1542	1.1681	1.1288	1.1056
Total (HK$'000)	**3,062,272**	**3,229,599**	**2,725,165**	**816,591**

Note:

(1) Other adjustments during the Track Record Period primarily represent provision or reversal of sales rebate and provision of product returns.

The following table illustrates details of our offline distributors and their respective revenue contribution by their geographic area during the Track Record Period:

	Year ended 31 December									Period ended 30 June		
	2017			2018			2019			2020		
Geographic area[(1)]	**Number of offline distributors**	**Revenue contribution (RMB'000)**	**% of total revenue**	**Number of offline distributors**	**Revenue contribution (RMB'000)**	**% of total revenue**	**Number of offline distributors**	**Revenue contribution (RMB'000)**	**% of total revenue**	**Number of offline distributors**	**Revenue contribution (RMB'000)**	**% of total revenue**
North China	108	245,539	5.0%	126	260,284	4.5%	124	201,104	3.2%	140	56,748	2.5%
Northeast China	98	160,609	3.3%	94	164,473	2.9%	93	140,936	2.3%	102	40,249	1.7%
East China	357	806,183	16.5%	396	919,972	16.0%	358	812,441	13.0%	408	213,324	9.2%
Central China	238	346,041	7.0%	260	362,014	6.0%	266	345,463	5.5%	283	93,585	4.0%
South China	114	398,983	8.2%	128	382,682	6.6%	111	290,700	4.7%	124	112,128	4.8%
Southwest China	177	475,117	9.8%	209	451,046	7.8%	211	402,017	6.4%	233	136,422	7.4%
Northwest China	83	110,834	2.3%	93	123,283	2.1%	104	101,530	1.7%	113	38,831	1.7%
Subtotal for offline distributors[(4)]	**1,175[(2)]**	**2,543,306[(3)]**	**52.1%**	**1,306[(2)]**	**2,663,754[(3)]**	**45.9%**	**1,267[(2)]**	**2,294,191[(3)]**	**36.8%**	**1,403[(2)]**	**691,287[(3)]**	**31.3%**

Notes:

(1) North China includes Beijing, Tianjin, Hebei, Shanxi and central Inner Mongolia (Hohhot, Baotou, and Uian Qab). Northeast China includes Heilongjiang, Jilin, Liaoning and east Inner Mongolia (Hulunbuir, Hinggan, Tongliao, Chifeng, Xilingol). East China includes Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Shandong, Fujian, and Taiwan. Central China includes Henan, Hebei, and Hunan. South China includes Guangdong, Guangxi, Hainan, Hong Kong and Macau. Southwest China includes Chongqing, Sichuan, Guizhou, Yunnan, and Tibet. Northwest China includes Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang and east Inner Mongolia (Alxa, Bayanzall, Wuhai and Ordos).

(2) The number of offline distributors for the period (as set out in the table above) represents the number of offline distributors as at the end of such period, excluding those which had ceased to be offline distributors during such period (the "**Terminated Distributors**").

(3) As the number of offline distributors for the period (as set out in the table above) does not include the Terminated Distributors, the total revenue contribution from offline distributors for such period (as set out in the table above) does not include any revenue contribution from any Terminated Distributor during such period. As our moon cabin business does not involve any offline distributor, the total revenue contribution from offline distributors for the period (as set out in the table above) also does not include any revenue contribution from our moon cabin business during such period. In contrast, the total revenue contribution from offline distributors for the same period (as set out in the breakdown of revenue contribution by channel during the Track

Record Period in the section headed "Business – Sales and Distribution Network" (the "**Breakdown of Revenue Contribution by Channel**")) includes: (i) the revenue contribution from the Terminated Distributors during such period, and (ii) the revenue contribution from our moon cabin business during such period. On the basis of the foregoing, the total revenue contribution from offline distributors for the period as set out in the table above was less than the total revenue contribution from offline distributors for such period as set out in the Breakdown of Revenue Contribution by Channel. Our moon cabin business includes offline direct sales to corporations for their internal use, offline direct sales to consumers, promotion of household cleaning knowledge and offline promotional events (such as community group purchase). The revenue contribution from our moon cabin business during the Track Record Period was only 1.3%, 0.7%, 1.1% and 5.0% of our total revenue for the years ended 31 December 2017, 2018, and 2019 and the six months ended 30 June 2020, respectively. The percentage of revenue contribution from our moon cabin business increased in the six months ended 30 June 2020 primarily because (i) we sold more personal hygiene and home care products to corporations for their internal use due to increasing hygiene awareness as a result of the COVID-19 outbreak, and (ii) there was a decrease in our total revenue as a result of the adverse impact of the COVID-19 outbreak. For the purpose of the Breakdown of Revenue Contribution by Channel, the revenue contribution from our moon cabin business during the Track Record Period is aggregated with the revenue contribution from our offline distributors during the Track Record Period.

(4) The following table illustrates a reconciliation of the subtotal revenue contribution for offline distributors and revenue contribution for the offline distribution channel.

	Year ended 31 December			Period ended 30 June
	2017	**2018**	**2019**	**2020**
		(RMB'000)		
Subtotal for offline distributors	2,543,306	2,663,754	2,294,191	691,287
Add:				
Revenue from the moon cabin business	62,506	40,501	67,830	110,450
Revenue from the terminated offline distributors	32,880	50,130	55,570	(1,230)
Other adjustments[(1)]	14,463	10,446	(3,377)	(61,912)
	2,653,155	2,764,831	2,414,214	738,595
Exchange rate	1.1542	1.1681	1.1288	1.1056
Total (HK$'000)	**3,062,272**	**3,229,599**	**2,725,165**	**816,591**

Note:

(1) Other adjustments during the Track Record Period primarily represented provision or reversal of sales rebate and provision of product returns.

During the Track Record Period, we have maintained good business relationships with our key offline distributors. The below table sets forth the total number of our offline distributors and the movement (including addition and termination) of distributors during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2017	**2018**	**2019**	**2020**
Number of Offline Distributors at the Beginning of the Period	1,265	1,175	1,306	1,267
Number of New Offline Distributors	225	390	315	247
Number of Terminated Offline Distributors	315	259	354	111
Number of Offline Distributors at the End of the Period	1,175	1,306	1,267[(1)]	1,403

Note:

(1) The total number of offline distributors decreased in 2019 because the number of terminated offline distributors was larger than the number of newly engaged offline distributors in that year. Such practice was in line with our effort to optimise our offline distributor network by selectively engaging with new offline distributors and terminating underperforming offline distributors during the Track Record Period. We take various factors into consideration in evaluating our offline distributors, such as their sales performance, reputation, popularity and general working relationship with us. The termination decision is not solely dependent on one or a particular set of factors, but rather it is based on a comprehensive evaluation of the relevant facts and circumstances at the time.

During the Track Record Period, all of our offline distributors were Independent Third Parties and they did not use our brand for their business operations. To the best knowledge of our Directors, there was no employment, financing, family or other relationship between our offline distributors (including their directors, shareholders and senior management, and their respective associates) and us during the Track Record Period. We terminated distributor relationships with 315, 259, 354 and 111 offline distributors in 2017, 2018 and 2019, and the six months ended 30 June 2020, respectively, primarily on the basis of their sales performance. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, revenue attributable to the terminated offline distributors was HK$38.0 million, HK$59.6 million, HK$60.0 million and HK$0.5 million, respectively. The relatively small amount of revenue contribution from the terminated offline distributors for the six months ended 30 June 2020 was primarily due to the return of Supreme branded products as a result of the COVID-19 outbreak. Please refer to the section headed "Risk Factors – Our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful" for details. After the termination of such relationships, we settle accounts with the terminated offline distributors and we generally do not allow return of unsold products from these terminated offline distributors. We engaged 225, 390, 315 and 247 new offline distributors in 2017, 2018 and 2019, and the six months ended 30 June 2020, respectively.

During the Track Record Period, we sought to optimise our offline distributor network, primarily by terminating underperforming offline distributors and engaging new offline distributors. We intend to adopt the following measures to further optimise our offline distributor network:

(i) we plan to extend our geographic coverage by engaging local offline distributors in cities and regions that we have not covered, particularly lower-tier cities, counties and districts;

(ii) we intend to customise the products offerings that are suitable for the local population;

(iii) we aim to manage our offline distributors according to their own specialties and better utilise their resources to increase sales performance and thereby achieve a mutually beneficial relationship;

(iv) we intend to increase our collaboration with offline distributors specialising in working with regional supermarkets, pharmacies, grocery stores, gas stations and other retail formats; and

(v) we plan to provide marketing support to offline distributors.

Key Terms of Agreements with Offline Distributors

We enter into a written standardised framework distribution agreement with certain offline distributors. Such agreement specifies a variety of terms, including the payment method, pricing policies and delivery arrangements. We have digitalised our sales processes and we use our proprietary online system where all offline distributors can directly place purchase orders and settle payments online. Generally, prior to providing access to such online system to an offline distributor, we inform them of the key terms set out in our standardised framework distribution agreement. After an offline distributor acknowledges and agrees with our key terms, we will provide an account number for such offline distributor and reserve the right to terminate their access. According to the Frost & Sullivan Report, this practice is not uncommon in the relevant PRC industry. The key terms of our standardised framework distribution agreement include:

Duration	:	Generally one year, subject to annual renewal.
Payment and credit terms	:	Payment should be made in full by the offline distributor prior to the shipment arranged by us. We generally do not extend credit to offline distributors. On a case-by-case basis, we may extend credit to certain creditworthy offline distributors for special occasions such as their year-end planning for the new year's sales events where the offline distributors engage in promotional activities with their customers to capture business opportunities arising from increased consumption demand due to the Chinese New Year.
Delivery of products	:	We arrange delivery services with Independent Third Party logistics companies and bear the relevant costs.
Transfer of risks	:	In the event a third party logistics company delivers the products, the risks transfer to the offline distributors after products are loaded onto the logistics company's vehicles.

Product returns/exchanges	:	We generally only consider product return applications due to product defects or packaging defects. For slow-moving products, we do not allow product returns in principle. However, we may consider product return requests of slow-moving products on a case-by-case basis. This is generally only applicable to offline distributors who stock up on our products in anticipation of the coming new year's sales events where the offline distributors engage in promotional activities with their customers but later on fail to sell all of the products purchased at least over a quarter since the date of the original purchases. We only accept products that are in a resaleable condition to be returned. Additionally, even though we do not set a specific limit for product returns, we have full discretion regarding whether to accept such product return requests or not.
Sales target and volume discounts	:	We generally do not set a sales target for our offline distributors. For certain offline distributors, if the total purchase amount in a period exceeds a mutually agreed amount, we may provide them with a sales rebate, ranging from 1% to 2% of the total purchase amount, as stipulated in the product sales agreement.
Minimum purchase requirements	:	Generally, we do not set any minimum purchase requirements for our offline distributors.
Pricing policy	:	We provide recommended retail price to our offline distributors.
Termination	:	Each party may unilaterally terminate the agreement by providing a 30-day notice, if such termination was not caused by the other party's breach. Each party may unilaterally terminate the agreement if the other party breaches the agreement. We may terminate the agreement if the conditions agreed by the offline distributors are not met.

Sub-distributors

Certain of our offline distributors engage sub-distributors where such offline distributors are unable to directly cover particular geographical areas. To the best knowledge of our Directors, as at the Latest Practicable Date, substantially all the sub-distributors were primarily engaged in the business of distributing consumer goods in China. We generally do not have direct contractual relationships with sub-distributors except as disclosed below. Our offline distributors are generally entitled to choose their sub-distributors and negotiate the transaction terms directly with them. As at the Latest Practicable Date, to the best knowledge of our Directors, all of the sub-distributors were Independent Third Parties.

Generally, our offline distributors are responsible for managing their sub-distributors, including to ensure that the operations of the sub-distributors are in line with our overall sales and distribution strategy. We also adopt certain measures to enhance the sub-distributor management, including arranging our sales and marketing personnel to visit the sub-distributors and points-of-sale from time to time, communicating with them, and collecting feedback and information from the sub-distributors. If we become aware of any non-compliance or misconduct of a sub-distributor, we will notify the relevant offline distributor and sub-distributor accordingly and request them to take rectification and improvement measures. If such non-compliance or misconduct is not timely rectified or improved, we may terminate the business relationship with the relevant offline distributor.

Since October 2019, we entered into short-term tripartite rebate agreements with certain offline distributors and sub-distributors as we sought to strengthen our management and monitoring of the sales and distribution network. We used our standardised tripartite rebate agreement for all such arrangements. Under such agreement, our offline distributor provides a rebate to the sub-distributor whose sales performance in a monthly and/or quarterly period exceeds an agreed amount as set out in the agreement. The amount of the rebate is calculated based on a fixed percentage of the purchase amount of the sub-distributor. The offline distributor periodically reports the purchase amount of the sub-distributor to us. In the month after the end of each quarter, we offset the amount of all rebates provided by the offline distributor to the sub-distributor in the prior quarter so that the relevant offline distributors receive the same amount of rebate for their purchases from us. During the Track Record Period, we had entered into tripartite rebate agreements with approximately 500 sub-distributors. According to the information reported by our offline distributors, the total revenue attributable to the sub-distributors reported by our offline distributors was immaterial in the year ended 31 December 2019 and the six months ended 30 June 2020. As a result, we decided to discontinue such arrangement from the third quarter of 2020 and focus our resources on managing our offline distributors.

Management of Our Sales and Distribution Network

Our extensive sales and distribution network is managed by our sales team. Please refer to the subsection headed "Marketing Team and Channels" for details of our sales team. To minimise the risk of cannibalisation, we have adopted the following measures regarding our sales and distribution network: (i) we provide recommended retail sales prices to e-commerce platforms, direct sales KAs, and offline distributors with an aim to ensure consistency across different channels, and (ii) when selecting our offline distributors, we take into account their respective geographic coverage in order to avoid potential competition among our distributors within a region. Particularly, for our sales to e-commerce platforms and our sales to consumers through our own proprietary stores, we have implemented a number of internal control measures and management measures to prevent cannibalisation as certain e-commerce platforms on which a number of our proprietary online stores operate are also our customers. Such measures include (i) applying the same recommended price for the same product, (ii) providing different multi-item combo packs to the e-commerce platforms and our proprietary online stores, (iii) setting a cooling-off period between promotional events on the e-commerce platforms and those on our proprietary online stores, and (iv) designing different themes for promotional events on the e-commerce platforms and promotional events on our proprietary online stores.

We have adopted several measures to prevent channel stuffing, which primarily include (i) our sales staff providing advice to our customers regarding product offerings that are suitable to their clients, with an aim to minimise unsaleable products, and (ii) us conducting inventory-taking periodically and reviewing the sales report submitted by our customers to gain a general understanding of their sales performance and provide marketing advice accordingly, and therefore help them avoid overstocking. We typically conduct inventory-taking and estimate the general unsold inventory levels for our customers every one, two or three months, depending on each customer's inventory management capability and the size of its inventory.

We constantly seek to optimise our sales strategy to adapt to changing market dynamics based on market intelligence collected by our sales and marketing team. Based on the sales strategy, we establish guidance for our sales and distribution network accordingly.

We collect and analyse data on the sales performance of our online channels and monitor the performance through reports that generated from our CRM system. These reports contain information such as level of inventory, sales volume, trends in the sales, and comparisons of sales with historical statistics. Our sales and marketing team analyses the information regularly to keep ourselves updated and adjusts our online sales and marketing strategies as necessary.

In addition, our sales personnel conducts regular inspections of our offline distributors and points of sale to monitor their sales, storage conditions, quality control and inventory levels. Through these activities, we monitor our offline distributors' compliance with the terms and conditions of their distribution agreements. If we discover non-compliant issues, we will notify the relevant offline distributors in writing and request the offline distributors to cease the non-compliant activities within a specified period of time. We have the option to terminate our relationship if the relevant offline distributors do not rectify the non-compliant activities as notified. Our offline distributors are also liable for breaches of their distribution agreements, and they are required to indemnify us for relevant breaches. We can terminate the appointment of our offline distributors if they breach provisions stipulated in the distribution agreements.

Pricing Policy

We price our products based on various factors, including the market positioning of the specific product, supply and demand, production cost and the prices of competing brands' products. We conduct thorough market research on a regular basis in order to compete more effectively with our competitors. We have a centralised price management system where our finance department and marketing department manage prices over different sales and distribution channels. We provide a similar recommended retail price for a particular product across all sales channels to facilitate the standardisation and stability of our sales network. Our sales staff regularly monitor our product prices sold at the retail points of sale to review and evaluate our pricing. We assess the information collected and engage in discussions with the parties involved in our sales and distribution network and update our pricing and sales policies as necessary.

Payment Terms and Credit Control

Please refer to subsections headed "Key Terms of Agreements with E-commerce Platforms", "Key Terms of Agreements with Direct Sales to Key Account Clients", and "Key Terms of Agreements with Offline Distributors" for details of the payment terms.

Our finance and sales departments carry out regular reconciliations of outstanding receivables balances and consider whether bad provisions are necessary. As at 31 December 2017, 2018 and 2019, and 30 June 2020, the amount of provision for impairment of trade receivables was HK$16.1 million, HK$9.9 million, HK$11.8

million and HK$18.2 million, respectively. Please refer to the section headed "Financial Information – Description of Selected Balance Sheets Items" for details of the ageing analysis of our trade and bills receivables and inventory turnover days.

Sales Return Policy

We generally only permit defective products to be returned to us. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020, the value of products returned (in terms of our cost of sales) represented 0.3%, 0.8%, 0.4% and 1.6% of our total revenue for the same periods, respectively. The majority of our product returns in the six months ended 30 June 2020 was related to the COVID-19 outbreak. Please refer to section headed "Risk Factors — Our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful." for details. We did not record any provision for product warranty during the Track Record Period. We may allow unsold products to be returned to us under certain circumstances. For example, certain e-commerce platforms are entitled to return or exchange the products when (i) the inventory turnover is higher than a certain period of time as specified in the contract, or the e-commerce platforms are not able to sell such products within 90 days, and the products are in a resalable condition, or (ii) the small offline vendors engaged by the e-commerce platforms cannot sell our products within a period of time as specified in the contract. We believe that our sales return policy is in line with the practice of the relevant industry in China. Additionally, we allow product returns for certain direct sales KAs. Please refer to subsections headed "Key Terms of Agreements with E-commerce Platforms" and "Key Terms of Agreements with Offline Distributors" for details.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material recalls of our products and we were not subject to: (i) any material fines, material negative findings, mandatory product recall orders, material product liability exposure or other penalties from government authorities or other regulatory bodies, (ii) any material product return requests from our consumers or material complaints from consumers in respect of the quality of our products, or (iii) any incidents of quality control system failure which had resulted in a material adverse impact on our business operations or our reputation. Our customer service centre handles consumer complaints in accordance with a relevant procedure. In addressing consumers' complaints, we undertake to communicate and liaise with the consumers in a timely manner. During the Track Record Period, we did not receive any material complaints from consumers in connection with product quality.

In 2018 and 2019, we sent our sales personnel to offline hypermarkets to help consumers better understand our Supreme branded concentrated liquid laundry detergents. However, the COVID-19 outbreak significantly affected our ability to conduct such activities in the first quarter of 2020. As a result, sales of our Supreme branded concentrated liquid laundry detergents declined and, to the best of our knowledge, we incurred sales returns of approximately HK$149.8 million related to our consolidated statements of comprehensive income during the six months ended 30 June 2020. Please refer to the section headed "Risk Factors — Risks relating to our Business and Industry — Our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful." for details.

Customers

Our customers generally are distributors and direct sales clients, including e-commerce platforms, our key account clients such as hypermarkets and supermarkets, and offline distributors. Please refer to the subsection headed "Sales and Distribution Network" for details in relation to our customers.

Top Five Customers

For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020, the aggregate revenue generated from our top five customers amounted to HK$1,841.1 million, HK$2,176.8 million, HK$2,550.6 million, and HK$981.6 million, respectively, which accounted for 32.7%, 32.2%, 36.2% and 40.3% of our total revenue, respectively. For the same periods, revenue from the largest customer amounted to HK$904.9 million, HK$900.1 million, HK$1,014.1 million, and HK$554.9 million, respectively, which accounted for 16.1%, 13.3%, 14.4%, and 22.8%, respectively. As at the Latest Practicable Date, none of our Directors, their associates or any other Shareholder which, to the knowledge of our Directors, owns more than 5% of our share capital had any interest in any of our top five customers. The following tables set out details of our five largest customers during the Track Record Period:

Year ended 31 December 2017

No.	Customer	Background	Products sold	Amount of our revenue attributable to the customer	% of our total revenue	Year of commencement of business relationship with us
				(*HK$'000*)		
1.	Customer A	An e-commerce company that operates a leading e-commerce platform in China, the securities of which are traded on the NASDAQ and the Stock Exchange.	Fabric care products, personal hygiene products, and home care products	904,884	16.1%	2012
2.	Customer B	An e-commerce company that operates a leading e-commerce platform in China, the securities of which are traded on the New York Stock Exchange and the Stock Exchange.	Fabric care products, personal hygiene products, and home care products	383,880	6.8%	2015
3.	Customer C	A multi-national retail company that operates a chain of hypermarkets, the securities of which are traded on the New York Stock Exchange.	Fabric care products, personal hygiene products, and home care products	307,190	5.5%	2009
4.	Customer D	A multi-national retail company that operates a chain of hypermarkets.	Fabric care products, personal hygiene products, and home care products	172,247	3.1%	2016
5.	Customer E	A retail company that operates a chain of hypermarkets in China.	Fabric care products, personal hygiene products, and home care products	72,888	1.2%	2013

				Year ended 31 December 2018		
No.	**Customer**	**Background**	**Products sold**	**Amount of our revenue attributable to the customer**	**% of our total revenue**	**Year of commencement of business relationship with us**
				(*HK$'000*)		
1.	Customer A	An e-commerce company that operates a leading e-commerce platform in China, the securities of which are traded on the NASDAQ and the Stock Exchange.	Fabric care products, personal hygiene products, and home care products	900,111	13.3%	2012
2.	Customer B	An e-commerce company that operates a leading e-commerce platform in China, the securities of which are traded on the New York Stock Exchange and the Stock Exchange.	Fabric care products, personal hygiene products, and home care products	642,857	9.5%	2015
3.	Customer D	A multi-national retail company that operates a chain of hypermarkets.	Fabric care products, personal hygiene products, and home care products	236,363	3.5%	2016
4.	Customer F	A retail company that operates a chain of stores and a leading e-commerce platform in China, the securities of which are traded on the Shenzhen Stock Exchange.	Fabric care products, personal hygiene products, and home care products	206,163	3.0%	2013
5.	Customer C	A multi-national retail company that operates a chain of hypermarkets, the securities of which are traded on the New York Stock Exchange.	Fabric care products, personal hygiene products, and home care products	191,343	2.9%	2009

Year ended 31 December 2019

No.	Customer	Background	Products sold	Amount of our revenue attributable to the customer	% of our total revenue	Year of commencement of business relationship with us
				(*HK$'000*)		
1.	Customer A	An e-commerce company that operates a leading e-commerce platform in China, the securities of which are traded on the NASDAQ and the Stock Exchange.	Fabric care products, personal hygiene products, and home care products	1,014,095	14.4%	2012
2.	Customer B	An e-commerce company that operates a leading e-commerce platform in China, the securities of which are traded on the New York Stock Exchange and the Stock Exchange.	Fabric care products, personal hygiene products, and home care products	961,014	13.6%	2015
3.	Customer F	A retail company that operates a chain of stores and a leading e-commerce platform in China, the securities of which are traded on the Shenzhen Stock Exchange.	Fabric care products, personal hygiene products, and home care products	196,827	2.8%	2013
4.	Customer C	A multi-national retail company that operates a chain of hypermarkets, the securities of which are traded on the New York Stock Exchange.	Fabric care products, personal hygiene products, and home care products	195,320	2.8%	2009
5.	Customer D	A multi-national retail company that operates a chain of hypermarkets.	Fabric care products, personal hygiene products, and home care products	183,346	2.6%	2016

Period ended 30 June 2020

No.	Customer	Background	Products sold	Amount of our revenue attributable to the customer	% of our total revenue	Year of commencement of business relationship with us
				(HK$'000)		
1.	Customer A	An e-commerce company that operates a leading e-commerce platform in China, the securities of which are traded on the NASDAQ and the Stock Exchange.	Fabric care products, personal hygiene products, and home care products	554,913	22.8%	2012
2.	Customer B	An e-commerce company that operates a leading e-commerce platform in China, the securities of which are traded on the New York Stock Exchange and the Stock Exchange.	Fabric care products, personal hygiene products, and home care products	315,435	12.9%	2015
3.	Customer E	A retail company that operates a chain of hypermarkets in China.	Fabric care products, personal hygiene products, and home care products	42,303	1.8%	2013
4.	Customer C	A multi-national retail company that operates a chain of hypermarkets, the securities of which are traded on the New York Stock Exchange.	Fabric care products, personal hygiene products, and home care products	35,209	1.4%	2009
5.	Customer D	A multi-national retail company that operates a chain of hypermarkets.	Fabric care products, personal hygiene products, and home care products	33,740	1.4%	2016

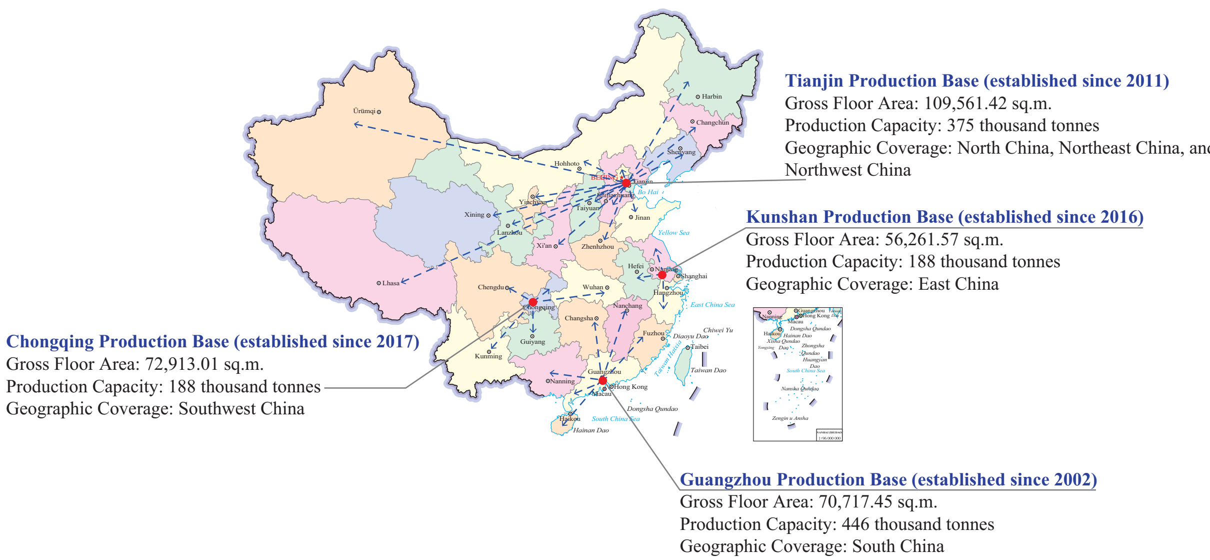
Key Terms of Agreements with Customer

Please refer to subsections headed "Key Terms of Agreements with E-commerce Platforms", "Key Terms of Agreements with Direct Sales to Key Account Clients" and "Key Terms of Agreements with Offline Distributors" for details.

OUR PRODUCTION OPERATIONS

Production Bases

As at the Latest Practicable Date, we had four production bases located in Guangzhou, Tianjin, Kunshan, and Chongqing. The following map illustrates the geographic coverage of our production bases as at the Latest Practicable Date.



Production Planning

Our production is planned regularly subject to adjustments based on market conditions and seasonality. Our production planning department is responsible for preparing the production plans. The production planning department works closely with our sales department, marketing department and procurement department to monitor the market conditions and adjust our production plans when necessary. We use big data analytics to improve production planning based on expected sales. Please refer to the subsection headed "Information Technology Systems" for details.

Our production capacity has generally been increasing during the Track Record Period. The table below sets forth our production capacity during the Track Record Period:

Type of Products	Year/ Period	Number of Production Lines(1)	Production during the Year/Period (tonne'000)(2)	Production Capacity of the Year/ Period (tonne'000)(3)	Utilisation Rate(4)
Fabric Care Products	2017	40	386	798	48.4%
	2018	47	486	875	55.6%
	2019	44	496	900(1)	55.1%
	2020(6)	44	172	450	38.3%
Personal Hygiene Products	2017	7	25	52	48.1%
	2018	9	30	73	41.1%
	2019	14	32	104	30.8%(5)
	2020(6)	14	37(7)	52	70.6%(7)
Home Care Products	2017	21	26	171	15.2%
	2018	19	31	170(1)	18.2%
	2019	20	32	192	16.7%
	2020(6)	20	26	96	27.1%

Notes:

(1) The decreases in the number of production lines for fabric care products from 2018 to 2019 and for home care products from 2017 to 2018 were because such production lines became obsolete and were not in use any more. In 2018, we were able to maintain the production capacity for our home care products, notwithstanding that we had disposed of two obsolete production lines, because those obsolete production lines did not have a significant contribution to the overall production capacity for home care products previously. In 2019, even though we disposed of three obsolete production lines for our fabric care products, we were still able to achieve an increased total actual production and an increased production capacity for our fabric care products through our efforts to improve and upgrade the equipment of certain remaining production lines, thereby improving the production capacity of such production lines.

(2) The production during the year is the total net weight of the products manufactured during that year.

(3) The production capacity of the year is estimated based on the following scenarios: (i) all product lines are functioning in its full capacity, (ii) 10 hours a shift (a day in the peak season has two shifts, a day in the off season has one shift), (iii) 250 working days (being 365 calendar days minus 104 weekends of a year (two days every week, 52 weeks in a year) and 11 public holidays announced by the relevant authorities in China) a year with 125 days counted as the peak season and the other 125 days are counted as the off season, and (iv) the Chongqing production base was in its trial operation in 2017 and was not included in the production capacity estimation for 2017. According to the Frost & Sullivan Report, our capacity calculation method, including the assumptions used therein, are reasonably in line with the standard of the relevant industry in China.

(4) Utilisation rate is calculated by dividing the production during the year by production capacity of the year. According to the Frost & Sullivan Report, the average utilisation rate of the fabric care industry, personal hygiene industry, and home care industry was approximately 40.0%, 20.0% and 10.0%, respectively, in 2019.

(5) The utilisation rate decreased primarily because of the increase in production capacity of the personal hygiene product line of that year.

(6) Only includes information for the six months ended 30 June 2020.

(7) The increase in our production and the utilisation rate of our personal hygiene products in the six months ended 30 June 2020 was because of the COVID-19 outbreak and the resultant increase in demand of personal hygiene products.

Capacity Expansion

During the Track Record Period, the utilisation rates of all of our production lines exceeded the industry average utilisation rates and limited our production capacity. In the peak season of our production, the utilisation rates of our production lines are much higher than the industry average utilisation rates according to the Frost & Sullivan Report. We expect the utilisation rates of our product lines to increase along with the growth of our business. Other than our utilisation rate, we take a number of factors into consideration in planning our future development based on our past experience and market research. Our capacity expansion plan is based on a comprehensive evaluation of our current business development plans and the expected business growth in the future. Additionally, our production capacity expansion plan is intended to sustain our business operations in the long-term rather than the short-term. We decided to expand our production capacity in anticipation of our business needs for the next ten years or beyond, and not only to meet the immediate demand in the current year or the coming year. Our main reasons for capacity expansion are as follows:

(i) our business (in terms of CAGR of retail sales value) has historically grown at a higher rate compared to the respective industry average during the Track Record Period (the "**Historical Growth Premiums**"). In view of our track record as well as our competitive strengths, we aim to implement our expansion plans and grow at a target CAGR calculated based on growth premiums (the "**Target Growth Premiums**") above the projected growth rates of the relevant industries, according to the Frost & Sullivan Report. If the Target Growth Premiums are substantially in line with the Historical Growth Premiums, our existing production lines may become more than fully utilised in the next few years without capacity expansion. This would be detrimental to the sustainability and long-term growth of our business, and hinder our flexibility to adjust our production schedules and respond to fluctuations in customer demand particularly during the peak season. Based on our historical experience of the time it takes to expand capacity and build new factories, we have to plan for capacity expansion in advance as we gradually ramp up production capacity over the next few years in anticipation of increased sales in order to sustain the long-term growth of our business;

(ii) as we launch more new products in the future, we will need additional customised production lines for the manufacturing of those new products. A significant portion of our new products currently under development require customised production lines due to different ingredients, technologies, industry standards and licensing requirements. Please refer to Appendix III to this prospectus for details of the relevant regulatory requirements. Moreover, we plan to continue developing new products in the future and would need to establish new production lines in anticipation of such products to be developed. Existing production lines of a particular product category cannot be readily used to manufacture products of a different category. Furthermore, even though some of our existing production lines can be modified to manufacture new products and we can apply for licenses to produce such products after the modification is completed, such modifications alone would not help us overcome our capacity constraint in the future particularly as we do not plan to replace or reduce production capacity for our existing products and lose out on potential sales. In addition, production line modification is a complicated process which may involve adjustment of equipment, changing or modifying the components, devices and conveyor systems, as well as potential modifications of the spatial arrangement of production lines, ventilations, infrastructure and ancillary facilities. The process of modification may cause interruptions or suspension of production. The current expansion plan would alleviate us from potential capacity constraints in the longer term and we would not need to incur unnecessary costs to modify existing production lines or sacrifice capacity for our existing products. Currently, we estimate that a substantial majority of the total increase in production capacity for existing products may be allocated to produce fabric care products, and the increase in production capacity for new products may be predominantly allocated to fabric care and personal hygiene products. Such estimates are based on potential market demand and growth, as the fabric care industry and in particular, the liquid laundry detergents segment, which contributed a substantial majority of our revenue, are projected to grow at a faster rate compared to the growth rate during the Track Record Period according to the Frost & Sullivan Report. Meanwhile, as a result of the COVID-19 outbreak and the increasing awareness of personal hygiene, we also aim to further grow our personal hygiene segment and may allocate additional capacity to such product segment accordingly.

The following table sets forth our new products currently under development by product category:

Product category	Number of new products under development	Functions	Expected launch time[2]	Reasons for new production lines
Fabric care	20	Laundry and other stain removal	By 2021	New packaging designs and specifications and production technologies are expected to be applied to five of such new products and therefore require new production lines. New licenses may be required for the production of certain products currently under development.[1]
Personal hygiene	9	Hand wash and body cleaning	By 2021	New packaging designs and specifications and production technologies are expected to be applied to three of such new products and therefore require new production lines. New licenses may be required for the production of certain products currently under development.[1]

Product category	Number of new products under development	Functions	Expected launch time[2]	Reasons for new production lines
Home care	25	Hard surface cleaning, odour removal, and home disinfectant	By 2022	New packaging designs and specifications and production technologies are expected to be applied to six of such new products and therefore require new production lines. New licenses may be required for the production of certain products currently under development.[1]

Notes:

(1) The government authorities that are responsible for issuing the relevant production licenses consider a number of factors and then issue the relevant production licenses to cover a particular set of parameters, including the location of the production facility, products to be manufactured, production technologies, and inspection procedures. Any licenses granted do not cover the production of products when any of the abovementioned parameters changes. As advised by our PRC legal advisers, if any of the above parameters changes after the issuance of the license, we will need to apply for a new license as per the relevant regulatory requirements.

(2) The expected timeframe is based on our current plan and is subject to change. We may adjust our product development plan in accordance with the development progress of each product and take into consideration other factors such as market conditions at the relevant time.

We believe there will be sufficient demand for our products currently under development. Revenue of our products generally grew steadily from 2017 to 2019. Revenue generated from our fabric care products for the six months ended 30 June 2020 declined as compared to revenue generated from our fabric care products for the six months ended 30 June 2019 as a result of the COVID-19 outbreak. Please refer to the subsection headed "Impact of the COVID-19 Outbreak on our Business — Impact of the COVID-19 Outbreak on our Operational Performance" for details. Revenue generated from our personal hygiene and home care products for the six months ended 30 June 2020 increased as compared to revenue generated from our personal hygiene and home care products for the six months ended 30 June 2019, primarily due to consumers' increasing awareness of personal hygiene as a result of the COVID-19 outbreak. Please refer to the section headed "Financial Information — Results of Operations" for details. The following table sets forth a breakdown of our revenue by product category during the Track Record Period:

	Year ended 31 December						**Six months ended 30 June**			
	2017		**2018**		**2019**		**2019**		**2020**	
	Revenue	**% of Total Revenue**	**Revenue**	**% of Total Revenue**	**Revenue**	**% of Total Revenue**	**Revenue**	**% of Total Revenue**	**Revenue**	**% of Total Revenue**
	HK$'000	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*(%)*	*HK$'000 (unaudited)*	*(%)*	*HK$'000*	*(%)*
Fabric care products	4,922,459	87.4	5,917,277	87.4	6,177,613	87.6	2,364,351	86.9	1,681,407	69.0
Personal hygiene products	328,021	5.8	410,616	6.1	418,545	5.9	180,051	6.6	465,602	19.1
Home care products	381,553	6.8	440,052	6.5	453,747	6.5	175,948	6.5	288,859	11.9
Total	5,632,033	100.0	6,767,945	100.0	7,049,905	100.0	2,720,350	100.0	2,435,868	100.0

The following table illustrates a comparison of our historical growth and the growth of the relevant markets in China during the Track Record Period:

	Our historical growth	**Industry historical growth**[(1)]		**Industry expected growth**[(1)]		
	CAGR of retail sales value	**CAGR of market size growth in terms of retail sales value**	**Our historical growth premiums**[(4)]	**CAGR of market size growth in terms of retail sales value**	**Market size in terms of retail sales value**	
	%	*%*	*%*	*%*	*(RMB in billions)*	
	2017 to 2019	**2017 to 2019**	**2017 to 2019**	**2019 to 2024**	**2019**	**2024**[(2)]
Fabric care	11.3	4.2	7.1	7.4	67.8	97.1
Liquid laundry detergent[(3)]	12.7	10.0	2.7	13.6	27.2	51.5
Personal hygiene	15.1	2.6	12.5	9.8	9.5	15.1
Liquid soap[(3)]	15.1	10.8	4.3	25.3	2.7	8.4
Home care	9.9	6.9	3.0	10.6	33.5	55.5

Notes:

(1) Industry information is from the Frost & Sullivan Report.

(2) Expected market size in terms of retail sales value.

(3) In 2019, retail sales value from our liquid laundry detergent accounted for approximately 93.0% of our retail sales value from our fabric care products. In the same year, retail sales value from our liquid soap products accounted for approximately 100.0% of our retail sales value from our personal hygiene products.

(4) Differences between our historical growth rates and the relevant industry historical growth rates.

According to the Frost & Sullivan Report, in 2019, we ranked fourth with a 10.4% market share in China's fabric care market, ranked fourth with a 5.0% market share in China's personal hygiene market, and ranked fifth with a 1.7% market share in China's home care market, all in terms of retail sales value. We believe there will be significant demand for our products and opportunities for us to substantially grow our business and increase our market share in China's fabric care, personal hygiene and home care markets.

During the Track Record Period, we have substantially outperformed the market and grown our business at a CAGR of 11.3% in terms of retail sales value from 2017 to 2019, as compared to a CAGR of 4.2% in terms of retail sales value of China's fabric care market over the same period. In addition, we have a successful track record of launching products that are popular for over ten years. We also focus on product segments with high growth potentials such as the liquid laundry detergent segment where we already ranked first in terms of market share, and which is projected to grow faster than the industry average. Meanwhile, other higher-ranked players in the fabric care market offer products such as powder detergent, which could be replaced by liquid detergent in the longer term, according to the Frost & Sullivan Report. Specifically, the market share in terms of retail sales value of powder laundry detergents in China's fabric care market decreased from 53.5% in 2015 to 43.4% in 2019. Over the same period, the market share in terms of retail sales value of liquid laundry detergent in China's fabric care market increased from 29.5% in 2015 to 40.1% in 2019. In 2024, the market share in terms of retail sales value of the powder detergent is expected to further decrease to 31.9%, while the market share in terms of retail sales value of the liquid laundry detergent is expected to increase to 53.1%, according to the Frost & Sullivan Report. Therefore, we are confident that we can leverage our market leading position to capture the expected industry growth in the future.

To capture the market opportunities in China's household care market, we intend to (i) expand and upgrade our product offerings, (ii) strengthen our distribution network and increase our product penetration, (iii) continue to promote scientific cleaning knowledge, (iv) enrich our services to improve consumer experiences, (v) accelerate digitisation and upgrade our manufacturing network, and (vi) retain and recruit high-quality employees. Please refer to the subsection headed "Business Strategies" for details. We believe our market position, our brand name, our proven track record of producing new products, and our sales and distribution network would enable us to capture the opportunities in the market. Please refer to the subsection headed "Competitive Strengths" for details;

(iii) each production line is limited to the manufacture of products according to the license it has obtained and therefore, certain of our existing production lines cannot be used for the production of our other existing products, our new products under development or to be developed in the future. We have three types of production licenses, namely the cosmetic product license, the disinfectant standard product license and the industrial standard product license. Each of these production licenses is governed by the relevant provincial food and drug administration, provincial health administration, and provincial quality and technical supervision administration, respectively. The licenses issued by the government authorities cover a particular set of parameters, including the location of the production facility, products to be manufactured, production technologies, and inspection procedures. Such licenses will not cover the production of products when any of the aforementioned parameters changes. Therefore, any additional production lines which we construct for future products (including new products within an existing product category) would likely result in a change in one of the aforementioned parameters, which means that we would need to obtain one of the three licenses as described above. As advised by our PRC legal advisers, if any of the above parameters changes after the issuance of the license, we will need to apply for a new license as per the relevant regulatory requirements. Please refer to Appendix III to this prospectus for details of the relevant regulatory requirements. Even though we can modify our existing production lines and apply for new licenses, as we plan to continue developing new products in the future and do not plan to reduce the production scale of our current products, we would need to establish new production lines and apply for new licenses to meet the regulatory licensing requirement and to accomplish the mass production of our future products;

(iv) due to the seasonality of the industry, during certain periods in the peak season (usually in the fourth quarter of each year), generally depending on the demand in the market and particularly during periods when a number of online and offline sales events are taking place, our production lines are more heavily utilised. Particularly, certain of our production lines were consistently highly utilised in certain periods during the Track Record Period. The following table sets forth our utilisation rate for the three months in each fourth quarter during the Track Record Period by product category:

	2017			2018			2019		
	October	November	December	October	November	December	October	November	December
Fabric care	53.6%	57.2%	89.1%	66.2%	74.9%	104.6%(2)	74.5%	79.6%	102.4%(2)
Personal hygiene(1)	61.5%	31.6%	62.1%	63.0%	46.5%	54.9%	45.2%	37.9%	42.0%
Home care(1)	17.5%	16.5%	23.7%	24.2%	23.0%	28.5%	27.4%	18.0%	28.2%

Notes:

(1) During the Track Record Period, the production capacity for our personal hygiene and home care products were significantly lower as compared with the production capacity for our fabric care products. Please refer to the subsection headed "– Our Production Operations – Production Planning" for details. As a result, small increases in demand for products in the relevant product category could potentially lead to quick increases in the utilisation of the relevant production lines.

(2) We calculate our utilisation rate by dividing the actual production by the production capacity of the relevant product category during that period. For the periods where our utilisation rates were higher than 100%, we manufactured more products than our projected capacity of the same period as a result of overtime.

However, we note that historical utilisation is not the only reason for our plan to expand capacity, and we have taken into consideration other factors as disclosed in this section in deciding to expand our capacity;

(v) while we produce additional popular products shortly before the peak season to a certain extent and hold them in inventory, we do not intend to do so on a larger scale, nor do we intend to produce products substantially in advance. This is due to the fact that such measures provide a short-term solution only and have the following limitations:

(1) according to the Frost & Sullivan Report, industry peers generally prefer to keep their average utilisation rates at no more than 60% to maintain sufficient head room for production flexibility to manufacture products on demand during peak season, when utilisation rates are much higher than the annual average. Without capacity expansion, as we get closer to full utilisation on average, we expect to lose the capability and flexibility to meet demand during peak season. Production ahead of peak season alone could not help us to overcome such capacity constraints in the longer term, as our flexibility to pre-produce several months prior to the peak season would also be reduced as utilisation generally rises, causing us to lose out on potential sales in the busiest months;

(2) the increased production prior to the peak season of demand would result in us holding more products as inventory for longer periods, resulting in higher storage rental and logistics costs;

(3) according to the Frost & Sullivan Report, consumers also typically prefer products that were recently produced within six months over products that have been in stock for an extended period of time. Therefore, we typically prefer to deliver more recently produced products to our customers and it would be more difficult for us to sell products that were manufactured too far in advance. Furthermore, logistics and transportation arrangements for the shipping of the products to the relevant customers also take additional time. If we need to sell products produced several months in advance, by the time such products reach our customers and end users, such products may no longer be recently produced as we and our customers prefer;

(4) taking into account (i) the increased storage rental and logistics costs over several months based on historical experience, and (ii) the depreciation costs of production capacity expansion and maintenance after considering the capital expenditure requirement for production lines as well as their useful life, it is estimated that the costs of pre-producing and renting storage for one tonne of inventory over several months will exceed the depreciation costs of adding the same amount of production capacity. Furthermore, once production capacity expansion is completed, much of the storage, logistics and opportunity costs associated with pre-production would be unnecessary. As such, it is commercially more reasonable for us to expand capacity to address capacity constraints and maintain production flexibility in the longer term, rather than pre-produce and hold products in the inventory; and

(vi) as the demand from customers can fluctuate quite significantly from time to time regardless of the seasonality of the industry, we require a higher production capacity to respond to increasing customer demand.

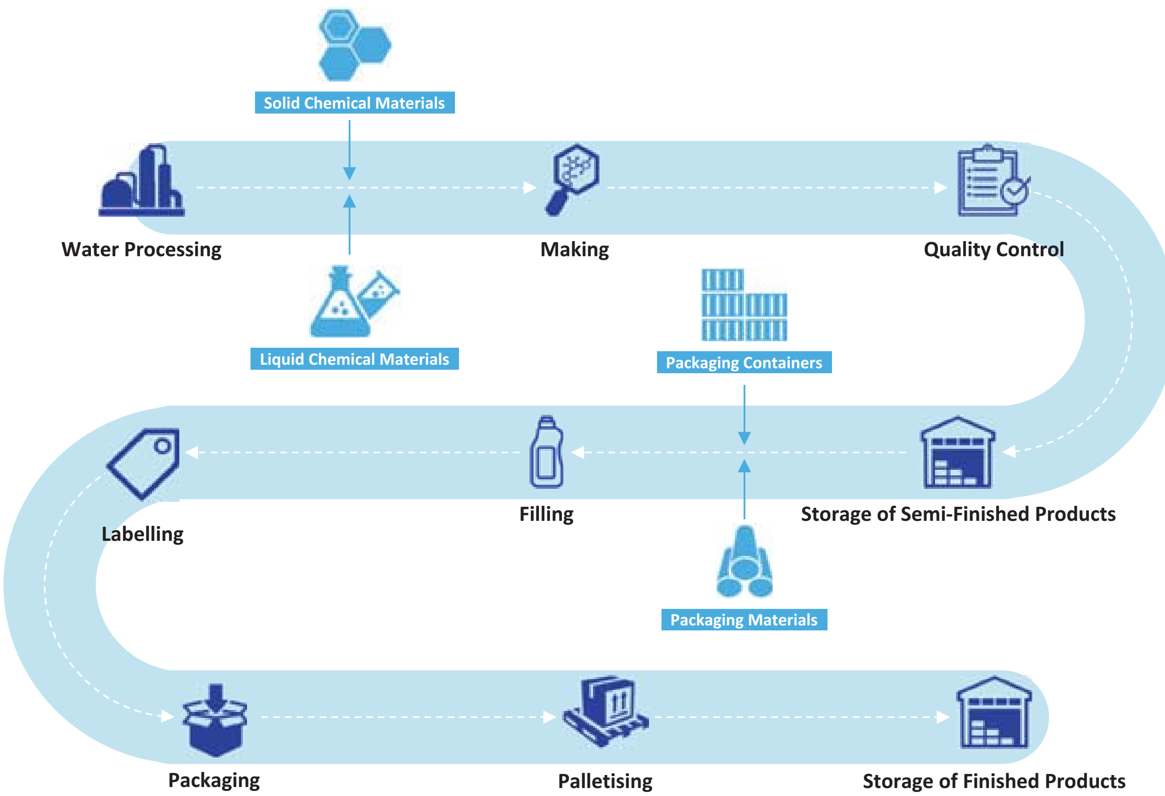
Therefore, we believe that while substantial capital expenditure would be incurred in expanding production capacity, in the longer term, this would enable us to grow our business, maintain production flexibility and address our potential capacity constraints.

Additionally, we plan to use a portion of the net proceeds of the Global Offering for the purchase of equipment and machinery and other-related ancillary expenses to facilitate our capacity expansion. Moreover, we plan to establish a new factory in China to further increase our production capacity, reduce logistics and other costs, and increase product penetration in inland areas. As at the Latest Practicable Date, we did not have definitive plan for the new factory. Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" for details. The following table illustrates details of our capacity expansion plan of our four production bases:

Location	Commencement time	Expected year of completion	Description
Guangzhou	January 2017	First half of 2023	New production facilities and storage facilities, including seven new buildings with a GFA of approximately 53,000 sq.m.
Tianjin	First half of 2022	Second half of 2023	Upgrading production capacity
Kunshan	May 2019	First half of 2023	New storage facilities, including three new buildings with a GFA of approximately 24,000 sq.m.
Chongqing	Fourth quarter of 2020	Second half of 2023	New production facilities and storage facilities, including six new buildings with a GFA of approximately 52,000 sq.m.

Production Process

The following diagram illustrates our production process.



Our production process requires a stable and sufficient supply of utilities, such as water and electricity. We anticipate that our reliance on such supply of utilities will increase as we seek to expand our production capacity. During the Track Record Period, we did not experience any disruption in the supply of utilities that had a material impact on our business or operations.

Equipment and Machinery

We own all of our major production equipment and machinery. We regularly inspect and maintain the production equipment and machinery, and replace worn consumable parts and components. To ensure production safety and efficiency, we perform daily inspections of key production equipment and machinery. Our major production equipment and machinery have an estimated average useful life of five to ten years. We use the straight-line method to make provisions for depreciation, with an annual rate of 5% to 20%. The average remaining useful life, based on our depreciation method, of such equipment and machinery is between approximately one to seven years. The following table sets out certain information relating to the top 30 essential machinery and equipment by category which are used by us in production (in terms of purchase price) as at the Latest Practicable Date:

Category	Function	Total number	Purchase year	Average remaining useful life
Bagging machine	Bagging	12	2013 to 2019	3 to 8
Automatic making machine	Making	3	2016 to 2018	8
Water treatment equipment	Water treatment	6	2012 to 2019	2 to 9
Pipes	Piping and transfer	6	2012 to 2018	2 to 7
Mould	Moulding	1	2020	5
Storage shelf	Storage	1	2016	6
Power generation	Power supply	1	2018	3

QUALITY CONTROL

We place great emphasis on the quality of our products. We perform various quality inspection and testing procedures, including visual inspection, physical and chemical inspection, microbiological testing, and weight checks at different stages throughout our operations, to ensure that our products meet the relevant quality standards and comply with applicable laws and regulations.

As at 30 June 2020, our quality control department comprised 162 members, with an average experience of approximately five years in quality control. A number of our PRC subsidiaries have obtained the ISO9001 certification for their quality management systems, ISO14001 for their environment protection management system, and OHSAS18001 for their employment health and safety management system, as at 30 June 2020.

Quality Control of Product Development

Our quality control begins at the initial stage of product development. Our quality control department works with our research and development team closely to evaluate the effectiveness of each formula in accordance with the relevant laws and regulations and industry standards. We produce samples based on the tested formula and prepare internal reports setting out the details of experiment results to help evaluate the effectiveness of such formula. For example, in order to assess certain formulae for our laundry detergents, we will test samples on different fabrics and compare the cleaning results of such fabrics before and after applying the samples. Prior to the official launch of newly developed products, we conduct trial testing on selected online platforms and offline points of sale and collect feedbacks. Afterwards we will formulate corresponsive sales and marketing plans for a nationwide launch.

Quality Control of Raw Materials and Packaging Materials

We believe that raw materials and packaging materials are crucial to our product quality. Therefore, we have a stringent selection process in choosing our suppliers and those who fail to meet our standard will be excluded from our supplier list. We also have internal guidelines on quality control of raw materials and packaging materials. In accordance with our internal guidelines, we inspect our raw materials and packaging materials for their appearance, specifications and functionality and conduct tests on randomly selected samples. If the samples fail to pass our tests, we will conduct further inspection and evaluation according to our internal procedures. We may return the entire batch of raw materials or packaging materials if we determine that the use of such materials will have a material adverse impact on our production.

Quality Control of Production

We assign our staff to perform regular equipment inspections and maintenance in order to ensure our production lines perform at optimal levels. During the Track Record Period, we did not experience any material production stoppages due to equipment failure. We regularly check our staff members' compliance with our internal operation standards. In addition, we perform routine product inspections on our products and set quality checkpoints during the key production process to ensure consistent quality of our products.

Quality Control of Logistics

Finished products which have passed our quality inspections will be transported to our warehouses pending delivery. Products in our warehouses are also subject to routine quality inspection. In addition, we require our logistics service providers to follow certain storage and transportation procedures to ensure that our products are transported under proper conditions.

Quality Control of Finished Products

We have a dedicated quality control team to extend the quality management to the storage, delivery and sales process of our products. Leveraging our extensive sales and distribution network, combined with our strong online presence, we have set up mechanisms to handle consumer complaints, including our cleaning consultants, hotlines, WeChat, and other feedback channels. In addressing the consumers' complaints, we undertake to communicate and liaise with the consumers in a timely manner and to commence the quality investigation procedures if necessary.

PROCUREMENT AND INVENTORY

Raw Materials

Our raw materials primarily consist of chemicals and packaging materials. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020, the total costs of our raw materials amounted to HK$2,096.4 million, HK$2,611.2 million, HK$2,059.5 million, HK$801.5 million and HK$818.1 million, respectively, which accounted for 79.5%, 90.6%, 81.5%, 76.4% and 93.3% of our total cost of sales, respectively.

We generally procure raw materials through our centralised procurement centre that oversees the entire procurement process. The procurement centre supervises different procurement teams that are responsible for the procurement of different types of raw materials. Most of our raw materials are readily available in China, and we source most of our raw materials from suppliers located at the adjacent regions of our production bases. We generally import raw materials in the case that imported raw materials have significant competitive advantages over domestically available raw materials. For key raw materials, we collaborate with multiple suppliers to reduce the risks associated therewith. We maintain long-term business relationships with key suppliers and strategically stock certain raw materials for a short-period of time in response to the potential increase in prices of such raw materials. During the Track Record Period, we did not encounter any material raw materials shortages or delays.

Chemicals

For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020, the total costs of our chemicals amounted to HK$1,269.8 million, HK$1,420.1 million, HK$1,124.1 million, HK$367.4 million and HK$434.0 million, respectively, which accounted for 48.2%, 49.3%, 44.5%, 41.4% and 49.5% of our total cost of sales, respectively.

Packaging Materials

Our product packaging is important in maintaining our brand image. Most of our packaging materials are LDPE-based. We source most of our packaging materials from suppliers located at the adjacent regions of our production bases. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020, the total costs of our packaging materials amounted to HK$826.6 million, HK$1,191.1 million, HK$935.4 million, HK$367.4 million and HK$384.1 million, respectively, which accounted for 31.3%, 41.3%, 37.0%, 35.0% and 43.8% of our total cost of sales, respectively.

Suppliers

We have maintained long-term business relationships with our key suppliers. We adopt a stringent selection process in choosing our suppliers and evaluate the suppliers on a number of factors, including their business scale, production capacity, quality control, location of the sites and the price and quality of the products. In general, our suppliers entered into agreements with us with a term of two to five years. Our suppliers generally grant us a credit period of 30 to 90 days. We generally settle the payment by bank transfers.

Top Five Suppliers

Our major suppliers are chemical and packaging materials providers. All of our major suppliers are located in China. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020, the aggregate purchases from our five largest suppliers in terms of procurement amount was HK$1,007.8 million, HK$1,001.4 million, HK$871.0 million, and HK$333.4 million, respectively, which accounted for 41.6%, 31.6%, 36.1% and 34.2% of our total purchases, respectively. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020, our purchase from the largest supplier amount to HK$291.1 million, HK$234.1 million, HK$202.2 million, and HK$80.2 million, respectively, which accounted for 12.0%, 7.4%, 8.4% and 8.2% of our total purchases, respectively. As at the Latest Practicable Date, none of our Directors, their associates or any other Shareholder which, to the knowledge of our Directors owns more than 5% of our share capital had any interest in any of our five largest suppliers. None of our five largest suppliers, including their shareholders, directors, senior management or any of their respective associates, have any past or present relationship (family, employment, trust, financing or otherwise) with us, our subsidiaries, our Shareholders, Directors, senior management or any of their respective associates. The following tables set out the details of our five largest suppliers during the Track Record Period:

Year ended 31 December 2017

No.	Supplier	Primary business scope	Location of operation	Registered capital of each corporate entity of the supplier(1)	Products procured	Amount of our purchases attributable to the supplier (*HK$'000*)	% of our total purchase	Year of commencement of business relationship with us	Credit terms grated by such supplier
1.	Supplier A	Chemical production	Guangzhou, Hunan, Shanghai	RMB20.0 million, RMB10.0 million, RMB20.0 million	Chemicals	291,064	12.0%	2007	30 to 40 days
2.	Supplier B	Chemical production	Guangdong	US$13.0 million	Chemicals	288,107	11.9%	2012	30 days
3.	Supplier C	Rubber and plastic product manufacture	Guangzhou, Tianjin, Suzhou	US$18.0 million, US$14.0 million, US$20.0 million	Plastics	185,548	7.6%	2011	60 days
4.	Supplier D	Chemical production	Hebei, Zhejiang	RMB80.0 million, RMB422.7 million	Chemicals	137,408	5.7%	2013	30 to 40 days
5.	Supplier E	Rubber and plastic product manufacture	Guangzhou, Tianjin, Chongqing, Suzhou	US$10.0 million, US$10.0 million, US$10.0 million, RMB100.0 million	Plastics	105,650	4.4%	2012	30 days

Note:

(1) The registered capital information was from public sources as at 30 June 2020.

Year ended 31 December 2018

No.	Supplier	Primary business scope	Location of operation	Registered capital of each corporate entity of the supplier(1)	Products procured	Amount of our purchases attributable to the supplier (*HK$'000*)	% of our total purchase	Year of commencement of business relationship with us	Credit terms grated by such supplier
1.	Supplier A	Chemical production	Guangzhou, Hunan, Shanghai	RMB20.0 million, RMB10.0 million, RMB20.0 million	Chemicals	234,063	7.4%	2007	30 to 40 days
2.	Supplier C	Rubber and plastic product manufacture	Guangzhou, Tianjin, Suzhou	US$18.0 million, US$14.0 million, US$20.0 million	Plastics	222,489	7.0%	2011	60 days
3.	Supplier F	Paper and paper product manufacture	Guangzhou, Shanghai, Tianjin, Chongqing	RMB80.0 million, US$5.0 million, US$2.5 million, RMB30.0 million, RMB80.0 million	Paper boxes	187,710	5.9%	2011	60 to 90 days
4.	Supplier B	Chemical production	Guangdong	US$13.0 million	Chemicals	179,415	5.7%	2012	30 days
5.	Supplier E	Rubber and plastic product manufacture	Guangzhou, Tianjin, Chongqing, Suzhou	US$10.0 million, US$10.0 million, US$10.0 million, RMB100.0 million	Plastics	177,754	5.6%	2012	30 days

Note:

(1) The registered capital information was from public sources as at 30 June 2020.

Year ended 31 December 2019

No.	Supplier	Primary business scope	Location of operation	Registered capital of each corporate entity of the supplier[1]	Products procured	Amount of our purchases attributable to the supplier (*HK$'000*)	% of our total purchase	Year of commencement of business relationship with us	Credit terms grated by such supplier
1.	Supplier C	Rubber and plastic product manufacture	Guangzhou, Tianjin, Suzhou	US$18.0 million, US$14.0 million, US$20.0 million	Plastics	202,191	8.4%	2011	60 days
2.	Supplier A	Chemical production	Guangzhou, Hunan, Shanghai	RMB20.0 million, RMB10.0 million, RMB20.0 million	Chemicals	195,826	8.1%	2007	30 to 40 days
3.	Supplier G	Chemical production	Anhui, Sichuan	RMB40.0 million, RMB60.0 million	Chemicals	161,576	6.7%	2011	30 days
4.	Supplier E	Rubber and plastic product manufacture	Guangzhou, Tianjin, Chongqing, Suzhou	US$10.0 million, US$10.0 million, US$10.0 million, RMB100.0 million	Plastics	157,322	6.5%	2012	30 days
5.	Supplier F	Paper and paper product manufacture	Guangzhou, Shanghai, Tianjin, Chongqing	RMB80.0 million, US$5.0 million, US$2.5 million, RMB30.0 million, RMB80.0 million	Paper boxes	154,071	6.4%	2011	60 to 90 days

Note:

(1) The registered capital information was from public sources as at 30 June 2020.

Six months ended 30 June 2020

No.	Supplier	Primary business scope	Location of operation	Registered capital of each corporate entity of the supplier[1]	Products procured	Amount of our purchases attributable to the supplier (*HK$'000*)	% of our total purchase	Year of commencement of business relationship with us	Credit terms grated by such supplier
1.	Supplier A	Chemical production	Guangzhou, Hunan, Shanghai	RMB20.0 million, RMB10.0 million, RMB20.0 million	Chemicals	80,212	8.2%	2007	30 to 40 days
2.	Supplier C	Rubber and plastic product manufacture	Guangzhou, Tianjin, Suzhou	US$18.0 million, US$14.0 million, US$20.0 million	Plastics	74,494	7.6%	2011	60 days
3.	Supplier G	Chemical production	Anhui, Sichuan	RMB40.0 million, RMB60.0 million	Chemicals	66,141	6.8%	2011	30 days
4.	Supplier E	Rubber and plastic product manufacture	Guangzhou, Tianjin, Chongqing, Suzhou	US$10.0 million, US$10.0 million, US$10.0 million, RMB100.0 million	Plastics	57,226	5.9%	2012	30 days
5.	Supplier F	Paper and paper product manufacture	Guangzhou, Shanghai, Tianjin, Chongqing	RMB80.0 million, US$5.0 million, US$2.5 million, RMB30.0 million, RMB80.0 million	Paper boxes	55,293	5.7%	2011	60 to 90 days

Note:

(1) The registered capital information was from public sources as at 30 June 2020.

Key Terms of Agreements with Suppliers

The following table sets forth the key terms of our contracts with major suppliers during the Track Record Period:

Quality	The quality of the products supplied shall be satisfactory to us and in accordance with the quality standards mutually agreed by the supplier and us.
Pricing	The pricing shall be determined on a case-by-case basis after negotiation between the supplier and us, and shall remain unchanged throughout the term of the agreement save as mutually agreed by the supplier and us.
Payment and credit terms	The supplier generally provides a credit period within 30 to 90 days. We generally settle the outstanding payment within the credit period if we have received the invoice from the supplier ten business days prior to the expiration of the relevant credit period.
Delivery of products	The supplier shall deliver the products to a location designated by us, and bear all costs in relation to the products' transport, including insurance costs.
Transfer of risks	The risks transfer to us when the products are delivered to the location designated by us.
Inspection and product returns / exchanges	In the event of products not meeting our quality standards, we have the right to (i) return the products to the supplier, with the supplier bearing all associated costs, (ii) accept partial delivery, with the supplier bearing all associated costs, or (iii) accept all delivery after negotiation between the supplier and us in relation to compensatory measures.
Termination	Each party may unilaterally terminate the agreement with seven business days' written notice upon, among others, (i) a party committing a material breach of the contractual provisions and failing to remedy the breach within ten days of the non-breaching party's request of remedial actions, (ii) a party breaching the contractual provisions and causing the agreement to be unable to achieve its purpose, and (iii) one party having undergone, or anticipating to undergo major changes in terms of its business or operation, such as suspension of operation, reorganisation, liquidation and bankruptcy, or change of control.

Inventory Management

Our inventories primarily consist of raw materials, packaging materials, semi-finished products and finished products. Our inventory levels vary according to the demand of our customers and our sales and production plans.

As at 31 December 2017, 2018 and 2019, and 30 June 2020, our net inventories amounted to HK$568.0 million, HK$586.9 million, HK$375.8 million, and HK$445.0 million, respectively, which accounted for 13.0%, 13.7%, 7.5% and 9.9% of our total assets, respectively, and our average inventory turnover days were 96.8 days, 73.1 days, 69.5 days, and 85.1 days, respectively.

We focus on optimising our inventory management and we maintain a digital enterprise resource planning ("**ERP**") system to track incoming and outgoing inventory. The ERP system enables us to manage different aspects of our inventory, namely (i) procurement agreements, orders and applications, and order settlements, (ii) raw material preparation, transfer to production facilities, and the consumption of raw materials, (iii) orders placed by our customers and their delivery process, and (iv) movement of inventories in our warehouse. The system enables us to monitor inventory levels and generates inventory reports on a real-time basis, which in turn helps us maintain optimal inventory levels and improve our working capital efficiency.

We typically maintain a minimum inventory level of raw materials and packaging materials ranging from 12 days to 18 days of production. Our minimum inventory levels for raw materials, packaging materials, semi-finished products, and finished products are based on our historical sales, real-time market demands for our products, and future sales projections. Additionally, after almost two decades of operations, we believe we have formed strong relationships with upstream raw material providers in the relevant market. We will stock up on certain raw materials for up to three months of inventories in anticipation of any significant increase in the price of such raw material. During the Track Record Period, we did not experience any material shortage of inventory or obsoleteness of inventory. Further, we plan to further expand our product offerings and therefore diversify the raw material categories to reduce the risk of price fluctuation of certain raw materials. Please refer to the subsection headed "Business Strategies – Expand and upgrade our product offerings to solidify our leading market position" for details.

WAREHOUSING AND LOGISTICS

As at the Latest Practicable Date, we have a two-tier warehousing system that consists of (i) 10 front-tier e-commerce warehouses located in 10 provinces in China (established between September 2017 and May 2020) to cover the demands from various e-commerce platforms and certain offline distributors, and (ii) back-tier warehouses located in our four production bases to cover the demands from the respective regions. We believe the strategic locations of our front-tier warehouses greatly lower the logistics costs and ensure the timeliness of our e-commerce delivery.

To further increase our warehousing capacity in a cost-efficient manner, we have also engaged Independent Third Party logistics service providers to provide warehousing facilities as supplemental warehousing facilities.

We procure delivery services from Independent Third Party logistics service providers. As at 30 June 2020, we had 28 logistics service providers. We select logistics service providers based on their track record, geographic coverage, management ability and scale of operation. Our arrangements with third party logistics service providers allow us to provide fast and efficient delivery services of our products, reduce our capital investment and reduce the risk of incurring liability for traffic accidents, delivery delays or loss. Once our logistics service providers confirm receipt of the products to be delivered, the risks relating to the transportation and delivery of our products are transferred to the logistics service providers. For the years ended 31 December, 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020, the total delivery costs paid to the logistics service providers amounted to HK$391.9 million, HK$406.6 million, HK$452.6 million, HK$187.9 million and HK$198.8 million, respectively, which accounted for 18.9%, 16.0%, 19.5%, 18.2% and 24.4% of our selling and distribution expenses, respectively.

During the Track Record Period, we did not experience any material disruption in the delivery of our products or suffer any loss as a result of delays in delivery or poor handling of goods.

INFORMATION TECHNOLOGY SYSTEMS

We have been leading the growth of our operations with technological development since 2008. We utilise a number of information technology ("**IT**") systems to manage almost all aspects of our operations. IT systems we utilise include mainstream third party products used in the same industry and our self-developed IT systems specialising in different aspects of our operations, such as distribution channel management, e-commerce platform management, and proprietary online store management. Our IT systems enable us to standardise our operations and manage our procurement, sales and distribution, quality control, inventory management and logistics, financial reporting and human resources functions, thereby enhancing our management and operational efficiency. As at 30 June 2020, we had more than 20 self-developed IT systems and nine mobile apps. The following table sets forth certain of our self-developed IT systems:

Name of the IT System	Year Launched	Description of Functions
e-Human Resource System (電子人力資源管理系統)	December 2015	Online human resource system tailor-made for our business operations.
Big Data Analytics System (大數據分析系統)	January 2016	Such system analyses consumer data cumulated from online sales channels and enable us to refine and optimise our sales and marketing efforts as well as prepare production plans accordingly.
MH Online Order Management System (MH在線訂單管理系統)	January 2016	Online order management system for our proprietary online stores. Such system automates and centralises management of our online order intake and handling process across different e-commerce platforms.
CRM System (CRM系統)	September 2016	Such system provides centralised management over a number of aspects of our customer relationships, including client information categorisation and analysis, sales personnel check-in and workload management.
Ingredient Management System (投配料管理系統)	September 2018	Such system standardises our ingredient management and ingredient addition procedure, collect relevant data, and improves our ingredient management automation and efficiency.
EC OMS System (電商在線訂單管理系統)	September 2019	Online order management system for our e-commerce platform customers. Such system synchronises online order data of our e-commerce platform customers with our data, and digitalises our online order management process to improve efficiency.

Our IT systems are maintained by our IT department. Our IT department has five teams carrying out specific responsibilities, including (i) the application product and user experience team that is responsible for the analysis of the business demand for IT systems and application products, IT technology feasibility assessment, and user experience design, (ii) the data product team that is responsible for the analysis of the business demand for data products, and the design and launch of data product, (iii) the IT development team that is responsible for the development of our proprietary IT systems, (iv) the big data technology team that is responsible for all big data analysis, and the management, development and implementation of the big data infrastructure, and (v) our IT infrastructure service team that is responsible for all IT infrastructure maintenance, cybersecurity, and technical support. As at 30 June 2020, we had 319 full-time employees in our IT department, including software engineers, product managers, data scientists and other 17 staff members.

Our IT capabilities and the stability of our IT infrastructure are vital to our business operations. The IT department performs system checks, data back-ups, system maintenance and maintains spare systems and parts of emergency hardware components to secure the continual operation of the critical IT systems and facilities. We also engage external IT consultants to perform periodical systemwide security checks to ensure information security. We are committed to protecting consumer and business data and have implemented relevant internal procedures and control measures to ensure that such data is protected and leakage and loss of such data and any other cybersecurity issues are prevented. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material failure or breakdown of our IT systems which had resulted in a material adverse impact on our overall business operations.

ERP System

In order to streamline our back-office management, we first introduced the ERP System in 2008 to help our management conduct in-depth analysis of our operations and enhance information exchange among different departments. Please refer to the subsection headed "Inventory Management" for details of our ERP system.

CRM System

Our self-developed CRM system provides centralised management over various aspects of our sales and distribution network, including client information categorisation and analysis, sales personnel check-in and workload management, as well as logistics data management. Our CRM system has access to inventory data and consumption data of our offline distributors and certain proprietary online stores and sub-distributors. Our frontline sales staff who is equipped with mobile access to our CRM system can provide timely services to our customers according to their needs. Our CRM system reduces labour cost caused by online sales activity management that generally requires a large number of staff to oversee different communication channels and supervise order placement and fulfilment.

Big Data and AI

We have applied AI technology and big data analytics in various aspects of our front- and back-office operations and management, such as sales and marketing and monitoring counterfeit products. In 2015, we established a big data research centre at our headquarters for the purpose of applying big data analytics to analyse consumer data cumulated from the operations of our proprietary online stores. We use the results to refine and optimise our sales and marketing efforts for both our online and offline businesses. Moreover, we have used

AI-empowered anti-infringement technologies to automatically search and identify counterfeit products on various e-commerce channels and submit claims to the relevant authorities automatically, thereby protecting our intellectual properties with higher efficiency and accuracy while at the same time reducing the relevant labour costs.

COMPETITION

China's household care industry is highly concentrated, with the top ten market players having over 75% of the market share in terms of total retail sales value, according to the Frost & Sullivan Report. We face competition from international and domestic companies in each of our business segments. Competition is primarily focused on brand recognition, technological development, product differentiation and quality, marketing and promotion, cost effectiveness, price and the ability to respond to consumer's needs and preferences. Our principal competitors include international consumer goods companies and a number of large domestic household care companies. Please refer to the sections headed "Risk Factors – Risks relating to our Business and Industry – We operate in a competitive industry and if we are unable to compete effectively, our business, financial condition, results of operations and prospects would be materially and adversely affected." and "Industry Overview – Competitive Landscape" for details.

We compete against well-established competing brands by focusing on our competitive advantages. Leveraging our strong brand image, cleaning technologies and competitive sales and marketing capabilities, we believe that we are well-positioned to maintain our leadership position in the market and capture future opportunities in the business segments that we operate in.

AWARDS AND RECOGNITIONS

We have received numerous awards and recognitions since our establishment in recognition of our brand, business operations, products and corporate social responsibility achievements. The table below sets forth a summary of significant awards and recognitions that we have received during the Track Record Period:

Year	Awards/Certifications	Awarding Body
2004 to 2020	Guangzhou Municipal Famous Trademark (廣州市著名商標)	Industry & Commerce Administration of Guangzhou Municipality
2005 to 2020	Guangdong Provincial Famous Trademark (廣東省著名商標)	The Famous Trademark Evaluation Committee of Guangdong Province
2020	National COVID-19 Pandemic Prevention and Control Essential Enterprise (全國性疫情防控重點保障企業)	Ministry of Industry and Information Technology of China
2020	Guangdong Provincial Intellectual Property (廣東省知識產權示範企業)	Guangdong Administration For Market Regulation (Guangdong Intellectual Property Administration) (廣東省市場監督管理局 (知識產權局))
2011 to 2020	Ranked first in the China Brand Power Index (C-BPI黃金品牌) of Liquid Laundry Detergent and Liquid Soap	Chnbrand (中國企業品牌顧問有限公司)
2011 to 2020	High Technology Enterprise (高新技術企業)	Science and Technology Department of Guangdong Province Department of Finance of Guangdong Province Guangdong State Administration of Taxation

Year	Awards/Certifications	Awarding Body
		Guangdong Provincial Local Taxation Bureau
2012 to 2019	Guangzhou Cleaner Production Enterprise (廣州清潔生產企業)	Office of Industry and Information Technology Development Joint Session, (廣州市工業和信息化發展聯席會議辦公室)
2015 to 2019	Annual Socially Responsible Brand Award (中國公益節責任品牌獎)	China Charity Festival (中國公益節組委會)
2016 to 2020	Guangdong and Hong Kong Cleaner Production Outstanding Participant (Manufacturing) (粵港清潔生產優越夥伴(製造業))	Environment Bureau of Hong Kong
2019	National Environmental Labelling Contribution Award (中國環境標誌貢獻獎)	China Ministry of Ecology and Environment Development
	National Environmental Labelling Outstanding Enterprise (中國環境標誌優秀企業獎)	
2019	Provincial Industrial Design Centre (省級工業設計中心)	Department of Industry and Information Technology of Guangdong Province
2018	The 7th International Carbon-Value Award General Award (國際碳金獎總獎)	World Economic and Environmental Conference
2017	Best Green Enterprise in China (中國綠效企業最佳典範獎)	World Economic and Environmental Conference

EMPLOYEES

As at 31 December 2017, 2018 and 2019, and 30 June 2020, we had 14,362, 12,820, 11,196 and 8,349 full-time employees, respectively. The table below sets forth breakdowns of our full-time employees by function during the Track Record Period:

	Year ended 31 December						Six months ended 30 June	
	2017		2018		2019		2020	
Function	**Number of employees**	**% of total**	**Number of employees**	**% of total**	**Number of employees**	**% of total**	**Number of employees**	**% of total**
Sales	10,432	72.6	8,671	67.6	7,305	65.2	4,582[3]	54.9
Supply Chain[1]	1,890	13.2	1,896	14.8	1,721	15.4	1,794	21.5
Functional Areas[2]	1,539	10.7	1,694	13.2	1,539	13.7	1,323	15.8
Information Technology	180	1.3	218	1.7	266	2.4	319	3.8
Marketing	170	1.2	201	1.6	208	1.9	174	2.1
Research and Development	151	1.0	140	1.1	157	1.4	157	1.9
Total	**14,362**	**100.0**	**12,820**	**100.0**	**11,196**	**100.0**	**8,349**	**100.0**

Notes:

(1) Supply chain includes procurement, production, and logistics, among others.

(2) Functional areas include human resource, administration, and finance, among others.

(3) Due to the COVID-19 outbreak and its negative impact on China's retail industry (including the limited operations of our offline distributors and direct sales KAs) in the first half of 2020, we reduced the number of staff on our sales team, particularly certain cleaning consultants who primarily worked at the retail points of sale of our direct sales KAs and offline distributors. We currently plan to gradually increase the number of our sales force in the future depending on the market conditions and our business needs. Even though we had reduced our sales force, we did not expect any further material product return in our sales as at the Latest Practicable Date other than as disclosed in this prospectus.

The success of our operations depends on our ability to attract, retain and motivate qualified employees. During the Track Record Period, we recruited our employees through on-campus recruitment, job fairs, recruitment agencies and internal and external referrals. Committed to providing fair and equal opportunities in all of our employment practises, we have adopted policies and procedures including candidate competency analysis models designed by third parties to ensure a fair selection and hiring process. As part of our retention strategy, we offer our employees competitive salaries, comprehensive insurance packages and merit-based incentive schemes which are generally based on performance of the individual employees and the overall performance of our business. In addition, we have adopted a Pre-IPO Share Option Scheme to provide an additional means to motivate, retain and reward our Directors, senior management and employees. Please refer to the section headed "Appendix V – Statutory and General Information – D. Pre-IPO Share Option Scheme" for the principal terms of the scheme.

We provide new hire trainings to new joiners on our culture, business and industry, improving their understanding of our Company and their abilities to perform their duties. We also regularly provide tailor-made in-house training sessions to our employees that seek to improve their technical skills or arrange our employees to attend training sessions provided by third parties. In addition, we provide management skills training opportunities to certain employees to help them transition into a management role.

As required by PRC laws and regulations, in addition to what has been disclosed in this prospectus, we participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance.

As at 30 June 2020, we established labour unions in China and approximately 20.0% of our employees were members of the labour unions, which may represent employees for the purpose of collective bargaining. We believe that we generally maintain a good working relationship with our employees and we did not experience any significant labour disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

INTELLECTUAL PROPERTY

Our intellectual property rights are key to our success and competitiveness, primarily consisting of trademarks, copyrights, patents, and the domain names we use. As at the Latest Practicable Date, we had 673 registered trademarks, 105 applications for registered trademarks, 152 patents, 76 applications for patents, 159 copyrights, and 35 domain names in China. Please refer to the section headed "Appendix V – Statutory and General Information – B. Further Information about our Business – 2. Intellectual Property" for more details of the material intellectual property rights.

We undertake a proactive approach to managing our intellectual property portfolio. Our legal department performs regular monitoring of our intellectual rights. We take action when we are aware of a potential infringement of our intellectual property rights. For instance, we perform routine checks on the public trademark registration platform to ensure our trademarks are not infringed by others.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes, litigation, or legal proceedings for any material violation of intellectual property rights of any person which would have a material adverse effect on our business. Please refer to the sections headed "Risk Factors – Risks relating to our Business and Industry – We may not be able to adequately protect our intellectual property rights, which could harm the value of our brand." and "Risk Factors – Risks relating to our Business and Industry – Third parties may assert or claim that we have infringed their intellectual property rights." for further details.

COUNTERFEIT PRODUCTS

We are aware that certain counterfeit products bearing our brand exist in the PRC market. Please refer to the section headed "Risk Factors – Risks relating to our Business and Industry – Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third parties." for further details. We have adopted a number of internal control measures to prevent counterfeit products and infringement of our intellectual property rights, including internal policies setting out procedures of how to handle counterfeit products and infringement incidents, a reward system encouraging our employees to report any potential infringement incidents, our cooperation with professional anti-counterfeit product organisations and law firms specialising in intellectual property laws, and our collaboration with certain e-commerce platforms to further strengthen such efforts. We investigated counterfeit products in the market through information from a number of sources, such as certain e-commerce platform customers, our offline distributors and our own employees. Our legal department is responsible for overseeing the implementation of our internal control measures related to counterfeit products and infringement of our intellectual property rights, coordinating with external professional anti-counterfeit product organisations and law firms to resolve the disputes related to counterfeit products and protect our legal rights as well as participating in any potential legal proceedings related to counterfeit products. Leveraging AI-empowered anti-infringement technologies, we are able to identify counterfeit products on various e-commerce channels. Please refer to the subsection headed "Information Technology Systems" for further details. Where appropriate, we inform and cooperate with relevant authorities of the existence of such counterfeit products and request appropriate actions to be taken, including confiscation or destruction of the counterfeit products, imposition of fines and commencement of certain proceedings against the counterfeiting party. We will continue to take appropriate actions to defend our intellectual property and our products against potential infringements. During the Track Record Period and up to the Latest Practicable Date, there was no material adverse effect by counterfeit products on our business, financial condition or results of operations.

PROPERTIES

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as at 31 December 2019, we had no single property with a carrying amount of 15% or more of our total assets.

Owned Properties

As at the Latest Practicable Date, we owned land use rights of eight parcels of land with a gross site area of 556,397.65 sq.m. in Guangzhou, Tianjin, Chongqing, and Kunshan. As at the same date, we owned 30 buildings located in Guangzhou, Tianjin, Chongqing, and Kunshan with an aggregate gross floor area of approximately 362,355.09 sq.m. The properties are mainly used for manufacturing, warehousing and offices purposes.

Leased Properties

As at the Latest Practicable Date, we leased 125 buildings with an aggregate gross floor area of approximately 48,145.42 sq. m. The properties are mainly used for offices and warehousing purpose. None of our leased properties is used for manufacturing purposes. All leased properties (other than those leased between members of our Group) are leased from independent third parties and we do not foresee any major difficulties or impediments in renewing the relevant leases upon their expiration.

Non-registration of Lease Agreements in the PRC

We had not registered the lease agreements in respect of 79 of our leased properties (accounting for approximately 70.18% of the aggregate gross floor area of our leased properties) with the relevant competent authorities in accordance with applicable PRC regulations. As advised by our PRC legal advisers, failure to register such lease agreements would not affect the validity and enforceability of such lease agreements. However, if we and the lessors fail to register such lease agreements as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreement. As at the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities, and the amount of potential penalties accounts for a minimal portion of our total revenue during the Track Record Period.

We believe that the reasons behind the failure to register the above lease agreements are beyond our control because, among other things, the lessors' willingness to cooperate in the registration process and provision relevant documents for registration is necessary. In order to minimise the potential negative impact of the above lack of registration of lease agreements, we have continued to maintain regular communications with such lessors seeking their cooperation to complete a late registration of the relevant leases. In addition, we have established internal guidelines and enhanced our internal control procedures requiring us to seek the landlord's agreement to register lease agreement before signing in order to ensure compliance with applicable PRC laws and regulations. As advised by our PRC legal advisers the defects of such leased properties would not materially and adversely affect our business.

Title in Relation to Leased Properties in the PRC

We had obtained valid title certificates from relevant lessors of 104 leased properties with an aggregate gross floor area of approximately 44,359.43 sq.m. (accounting for 92.136% of the aggregate gross floor area of our leased properties). In respect of 21 of our leased properties with an aggregate gross floor area of approximately 3,785.99 sq.m. (accounting for 7.864% of the aggregate gross floor area of our leased properties), the lessors of such properties did not provide us with the relevant title certificates evidencing their rights to lease the leased properties as at the Latest Practicable Date. As advised by our PRC legal advisers, the validity of our lease agreements will not be affected if the relevant buildings are not illegal structures and we would not be subject to any fines or penalties. However, should the relevant PRC regulatory authorities take enforcement against our lessors, we may be subject to the risk of cessation of use.

We believe that the reasons behind the lessors' failure to provide us with the relevant title certificates are beyond our control. To the best of our knowledge, as at the Latest Practicable Date, some of the lessors have applied for the relevant title certificates and we are not aware that any of the relevant buildings are illegal structures. In order to minimise the potential negative impact of the above title defects on our operations, we have maintained regular communications with such lessors regarding the progress of their rectification of the title defects. In addition, we have established internal guidelines and enhanced our internal control procedures to improve our evaluation of the new leased properties from a compliance perspective. We will also consult our external legal advisers for reviewing the title certificates and other documents of our new leased properties in order to ensure compliance with applicable PRC laws and regulations. As advised by our PRC legal advisers, the defects of such leased properties would not materially and adversely affect our business.

Inconsistency with Permitted Use

In respect of 23 of our leased properties with an aggregate gross floor area of approximately 18,250.2 sq.m. (accounting for 37.91% of the aggregate gross floor area of our leased properties), the current usage is inconsistent with their permitted usage. We currently use such leased properties as liaison office, offices and staff dormitories while their permitted usage under the relevant title certificates are industrial and/or residential purposes. As advised by our PRC legal advisers, the inconsistency with permitted use will not affect the validity of our lease agreements and we would not be subject to any fines or penalties. However, should the relevant PRC regulatory authorities take enforcement against our lessor, we may be subject to the risk of cessation of use.

We believe that the reasons behind the lessors' failure to lease the relevant properties to us in accordance with the permitted usage are beyond our control. For so long as we occupy these properties, we will urge the relevant lessors from time to time to apply for change of permitted usage of such properties to include the current usage. We have established internal guidelines and enhanced our internal control procedures to improve our evaluation of the new leased properties from a compliance perspective. We will also consult our external legal advisers for reviewing the title certificates and other documents of our new leased properties in order to ensure compliance with applicable PRC laws and regulations. As advised by our PRC legal advisers, the defects of such leased properties would not materially and adversely affect our business.

Our Directors' View

Our Directors are of the view that the failure to register lease agreements and defects of the leased properties as set out above would not materially and adversely affect our business operations, considering that (i) we would be able to relocate to a different site easily should we be required to do so given the leased properties are not material to our operation nor used for production plants or factories, and the lease market in the vicinity of such leased properties are active, (ii) the current usage of the leased properties and failure of the lessors to provide us with the relevant title certificates would not affect the validity and enforceability of such lease agreements and we have a right to claim against the lessors in the event we cannot legally occupy and use such leased properties, and (iii) the failure to register lease agreements would not affect the validity and enforceability of such lease agreements.

INSURANCE

We maintain insurance policies to cover potential product liabilities and potential safety issues relating to our production. In addition, we have purchased a number of property-related insurance policies covering our buildings, facilities, machinery, vehicles, equipment, inventories and other assets. We review our insurance policies from time to time for adequacy in the breadth of coverage. We believe our existing insurance coverage is adequate for our existing operations and is in line with industry standards in China. Nevertheless, we may be exposed to claims and liabilities which exceeds our insurance coverage. Please refer to the section headed "Risk Factors – Risks relating to our Business and Industry – Our insurance coverage may not be sufficient to cover all of our potential losses." for further details. During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to us.

HEALTH, OCCUPATIONAL SAFETY AND ENVIRONMENTAL PROTECTION

Our business is subject to various health and occupational safety and environmental laws and regulations in the PRC. As at the Latest Practicable Date, we had complied with applicable laws and regulations on health, occupational safety and environmental protection in all material respects. Our PRC legal advisers are of the view that during the Track Record Period, we did not receive any material fines or penalties from the relevant government authorities, nor were there any material legal proceedings brought against us, in relation to our production safety or product quality, including any safety issues related to chemicals.

In an effort to ensure the safety of our employees, we have operational procedures and safety standards for our production process. The environment, health and safety team at our headquarters provide compliance training sessions to each production base and conduct quarterly examinations at each production base to ensure the ongoing compliance with these laws and regulations.

We have an ISO-certified health, safety and environmental protection management system (the "**EHS system**"). We provide our employees with regular occupational safety education and training sessions to enhance their awareness of safety issues. They are tested at the end of these training sessions and the result of these tests will be taken into consideration when determining the employee's overall performance. We also carry out equipment maintenance regularly to ensure their safe operations. During the Track Record Period, we did not record any accidents that had a material impact on our business or operations.

Our operation is subject to environmental laws mostly relating to the disposal of waste water and solid waste, reduction and disposal of emission pollution, and the reduction of noise pollution. Please refer to the section headed "Appendix III – Regulatory Overview" for further details. We have implemented a "prevention from source, control at all stage (源頭預防，全程控制)" governance which guides us to prevent environmental-related risks at an early stage and emphasizes on continuous monitoring of such risks throughout our operations. In particular, we emphasise the importance of environmental protection and have assigned responsibilities to our staff at different levels and regularly provide environmental protection awareness trainings to all staff. Our Directors and senior management are involved in various environmental, social and governance ("**ESG**") activities, including formulating ESG related policies, organising training sessions, and communicating and collecting feedback from employees. We have established an ESG committee to oversee our ESG management. Members of the ESG committee include our chief supply officer, Ms. Luo Dong, our chief financial officer, Mr. Poon, and our chief operating officer, Ms. Xiao Haishan. Additionally, our environmental protection, health, and safety department (the "**EHS department**") is responsible for assessing and managing all ESG related matters. Our EHS department uses a number of metrics (the "**ESG metrics**") to assess potential risks, including a maximum of 26 kilogramme standard coal consumption per unit product, and waste water of less than 50 gramme/tonne per unit product, which is much lower than the regulatory standard of 450 gramme/tonne. Our EHS department strictly oversees all ESG related issues to ensure our operations meet the ESG metrics. If any of our ESG metrics are not met, our EHS department will liaise with the responsible party and take prompt actions to rectify the noncompliant practice and mitigate the impact. For the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020, we incurred costs of approximately RMB2.8 million, RMB6.1 million, RMB6.4 million and RMB2.3 million, in connection with compliance with environmental laws and regulations, including purchase of environmentally-friendly raw materials, environmentally-friendly equipment and waste disposal equipment, among others. We expect that the cost of environmental compliance will not have any material impact on our results of operations. During the Track Record Period and up to the Latest Practicable Date, we had not received any notice or warning in relation to pollution in respect of our operation, including any pollution related to the LDPE, nor had we been subject to any fines, penalties or other legal actions by government authorities resulting from any non-compliance with any environmental protection laws or regulations that had a material adverse impact on our operations and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any environmental government authorities in respect thereof. Additionally, as advised by our PRC legal advisers, even though we are subject to certain requirements stipulated in its pollutant discharge permit, there will not be any legal or practical impediment for us to expand our production capacity as the actual quantities of waste water we discharged were less than half of the allowed quantities during the Track Record Period and we do not expect the additional waste water as a result of our capacity expansion plans would use up all the allowed discharge quantity. Further, we could apply for new pollutant discharge permits after we complete our capacity expansion plans. The following table sets out the gross quantities of pollutants that we were allowed to discharge to water, and the quantities actually discharged, during the Track Record Period:

	Year ended 31 December			Six month ended 30 June
	2017	**2018**	**2019**	**2020**
Gross quantities of waste water allowed annually (tonne)	377,226	450,138	450,138	450,138
Waste water actually discharged during the year/period (tonne)	236,464	251,168	209,766	98,492[(1)]

Note:

(1) Waste water we discharged for the six months ended 30 June 2020.

We had complied with all relevant pollutant discharge requirements during the Track Record Period and up to the Latest Practicable Date. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, we paid all outstanding environmental protection tax during each period, amounting to nil, RMB12,182, RMB13,347, and RMB10,619, respectively. Please refer to the section headed "Risk Factors – Risks relating to our Business and Industry – We are subject to a wide variety of regulations, and failure to comply with such regulations or control the associated costs may harm our business." for further details.

SOCIAL AND COMMUNITY MATTERS

Our achievements and initiatives in the area of social and community responsibility include the following:

Environmental and Social Sustainability

We are committed to environmental and social sustainability as an important value of our business. Our flagship products under the "Supreme (至尊)" brand, have a number of unique features, including lower carbon footprint and less water and plastic usage. With an aim to promote environmental awareness, in the past, we worked with various organisations, such as United Nations Environment Programme ("**UNEP**"), and are still actively working with the Society for Environmental Exploration Conservation (阿拉善SEE生態協會), and sponsored multiple international and domestic environmental events including World Water Day and Water Conservation Forum.

Education

We are keen on providing education, support and opportunities to children from different communities. We have worked with China Family Education Institute for 20 years to hold the annual Little Health Angel Selection to promote personal hygiene knowledge among children.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Our Board of Directors and our senior management are responsible for establishing and maintaining adequate risk management and internal control systems. In order to identify, assess and control the risks that may hinder our success, we have designed and implemented a risk management system that covers each material aspect of our operations, including financial security, production, logistics, technology and compliance.

Without prejudice to the responsibilities of our Board of Directors as a whole, our Audit Committee oversees financial and business risk management and supervises the financial reporting process and internal control system. Please refer to the section headed "Directors and Senior Management – Board Committees" for further details of the qualification and experience of the members of our Audit Committee.

In addition, we have implemented or will adopt before the Listing a series of internal control policies and measures for the purpose of setting up internal policies to ensure effective risk management, which include:

- Code of Conduct: we have maintained a Code of Conduct for our employees with respect to various aspects of employee behaviour during the ordinary business operations;

- Ongoing trainings: we have conducted and will continue to conduct regular internal trainings for our employees and management on applicable laws and regulations to ensure awareness and compliance;

- Compliance with Listing Rules: we have internal policies in place to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions and securities transactions by our Directors; and

- Compliance adviser: we have appointed Somerley Capital Limited as our compliance adviser to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

IMPACT OF THE COVID-19 OUTBREAK ON OUR BUSINESS

The COVID-19 outbreak in early 2020 has materially and adversely affected the global economy. In an effort to contain the outbreak, the PRC government has imposed, among others, the following policies: (i) outside of Hubei Province, the Chinese New Year holidays were extended by various local governments for three to seven days, with the workforce resuming work between 3 February and 10 February 2020; and (ii) in Hubei Province, travel restrictions have been gradually imposed in the entire province since 23 January 2020.

Demand for consumer goods was significantly affected as retail stores were temporarily closed. According to the National Bureau of Statistics, China's total retail sales of consumer goods decreased by 19.0% in the first quarter of 2020, compared with the first quarter of 2019.

The retail industry was affected to various degrees. Traditional sales and distribution channels, such as offline retail shops were temporarily closed. However, supermarkets and hypermarkets were affected less significantly as most of them remained open during the outbreak. E-commerce channels became consumers' first choice for shopping, but the sales growth from such channels was limited, primarily due to difficulties in logistics and distribution.

Resumption of work in China has gradually taken place at locations less affected by the COVID-19 outbreak since 3 February 2020. As at 10 April 2020, according to the Ministry of Industry and Information Technology, 98.6% of industrial enterprises of national scale and over 80% of small and medium enterprises in China had resumed operation. According to the Frost & Sullivan Report, the COVID-19 outbreak has stimulated the demands of disinfectant products. In the future, the demand for disinfectant products will continue to grow due to customers' increasing awareness of hygiene and public health.

Campaign against the COVID-19 Outbreak

Since the COVID-19 outbreak in early 2020 we have launched several initiatives to combat COVID-19. We set up a committee to make guidelines on preventing the spread of COVID-19 and provide support for our employees in need. We donated our disinfectant products (liquid soap and disinfectant) with a value of approximately RMB5.3 million to certain non-profit organisations in Hubei Province. We resumed our production of disinfectant products at full production capacity on 26 January 2020. Committed to delivering our products to more people in need, we did not raise the prices for our products notwithstanding the increased costs of raw materials, packaging materials and logistics.

Our Response to the COVID-19 Outbreak

In line with PRC government guidelines, we have implemented precautionary measures to maintain a hygienic working environment. For example, employees who travelled within China during the Chinese New Year holidays are required to self-quarantine in their homes for 14 days. For employees who are not required to work onsite, we provided alternative means such as work-from-home arrangements, to protect their health and also ensure our smooth business operations during the outbreak.

We have implemented health screening procedures for all entrants of our premises, including checking their travel history and whether they have any symptoms associated with COVID-19 and measuring their temperature. We have assembled a pandemic emergency team that is responsible for closely tracking the health status of our employees. In addition, we provide and require all persons to wear face masks when they are working onsite. We also provide personal disinfectant products such as hand sanitisers to our employees. Furthermore, our premises are regularly cleaned every day.

Impact of the COVID-19 Outbreak on Our Operational Performance

Our Production

Due to the COVID-19 outbreak and the government's relevant control measures, most of our production were temporarily suspended in late January and February 2020, other than those for disinfectant products. Please refer to the subsection headed "Campaign against COVID-19 outbreak" for details. In order to prevent and control the outbreak, we adjusted our business operations and set up specific plans for resumption of work, our health and safety management system and emergency plans. During the COVID-19 outbreak, enterprises recognised by the local governments as essential enterprises in relation to assuring the supply of anti-pandemic goods were allowed to resume operations from an earlier date than other enterprises. All four of our production bases were recognised as such enterprises and had gradually resumed production since 26 January 2020. We have fully resumed our business operations since March 2020.

Sales and Distribution

As COVID-19 outbreak related travel restrictions have been gradually lifted, the adverse effects of the outbreak on sales and distribution of our products have gradually subsided. As at the Latest Practicable Date, we have not encountered and do not anticipate any material issues in our operations with (i) procurement of raw materials and packaging materials, or (ii) materially late deliveries or failures to fulfil sales orders, or penalties arising thereof, as a result of the COVID-19 outbreak. This is primarily because (i) most of our suppliers and customers (including our major distributors) have gradually resumed operations after Chinese New Year, (ii) we were stocked with finished products to satisfy the sales orders while our manufacturing facilities were suspended, and (iii) our logistics service providers have gradually resumed operations after Chinese New Year. For further details of the impact of the COVID-19 outbreak on logistics services in China, see the section headed "Industry Overview – Impact of COVID-19 Outbreak on China's Household Care Industry". However, the COVID-19 outbreak had an impact on products under the "Supreme (至尊)" brand which were more reliant on consumer education by offline sales personnel, resulting in the return of certain of such products by some offline hypermarkets in the first quarter of 2020. Please see the sections headed "Risk Factors – Risks relating to our Business and Industry – Our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful." and "Financial Information – Recent Developments and Material Adverse Change" for details.

Impact of the COVID-19 Outbreak on Our Financial Performance

The COVID-19 outbreak presents challenges to our business and financial conditions. The temporary suspension of our production by the order of the local governments from January to February 2020 had a negative impact on our financial performance primarily due to a delay in receiving and handling the then new orders during our office closure in that period. The table below sets forth a breakdown of our revenue by product segment for the periods indicated:

	Three months ended 31 March	
	2019	**2020**
	HK$'000 *(unaudited)*	*HK$'000*
Revenue		
Fabric care products	1,088,492	601,139
Personal hygiene products	80,521	234,533
Home care products	92,897	196,052
Total	1,261,910	1,031,724

	Three months ended 30 June	
	2019	**2020**
	HK$'000	*HK$'000*
Revenue		
Fabric care products	1,275,859	1,080,268
Personal hygiene products	99,530	231,069
Home care products	83,051	92,807
Total	1,458,440	1,404,144

While our overall revenue in February 2020 increased by HK$137.7 million as compared to February 2019, the sales of our fabric care products decreased by HK$487.4 million in the three months ended 31 March 2020 as compared with the corresponding period in 2019. In the three months ended 30 June 2020, the COVID-19 outbreak continued to affect the sales of our fabric care products as consumers temporarily reduced outdoor activities due to social distancing, resulting in a decrease of HK$195.6 million in the sales of fabric care products as compared to the corresponding period in 2019. As the effect of the COVID-19 outbreak gradually subsided and social and economic activities resumed in China in the second quarter of 2020, our revenue has recovered since the second quarter of 2020.

The negative impact of the COVID-19 outbreak on our fabric care products were partially offset by a significant increase in the demand for disinfectant products, resulting in significant growth in the sales of our personal hygiene products and home care products in the first half of 2020. The sales of our personal hygiene products and home care products increased by HK$154.0 million and HK$103.2 million, respectively, in the three months ended 31 March 2020 as compared to the corresponding period in 2019. The trend continued in the second quarter of 2020, with the sales of our personal hygiene products and home care products increased by HK$131.5 million and HK$9.8 million, respectively, in the three months ended 30 June 2020 as compared to the corresponding period in 2019.

At the same time, our selling and distribution expenses in the first three months ended 31 March 2020 and the three months ended 30 June 2020 also decreased by HK$86.7 million and HK$127.6 million, respectively, as compared with the corresponding period in 2019 as we (i) temporarily streamlined our offline sales force due to less consumer traffic in offline channels following the COVID-19 outbreak, and (ii) benefited from government subsidies in response to the COVID-19 outbreak that reduced our employee social insurance expenses. Depending on market conditions and the future impact of the COVID-19 outbreak, we plan to strengthen our offline sales force in the future to support our offline sales activities.

Please refer to the sections headed "Risk Factors – Risks Relating to our Business and Industry – Our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful." and "Financial Information – Results of Operations – Six months ended 30 June 2020 compared to six months ended 30 June 2019" for details. Additionally, all of our production bases have received government support in various forms including cash subsidises, tax exemptions and preferential interest rates on borrowings, the estimated total amount of government support related to the COVID-19 outbreak was approximately RMB49.8 million. Please refer to the section headed "Financial Information – Recent Developments and Material Adverse Change" for details.

We are of the view that we will have sufficient working capital for our present requirements covering at least 12 months from the date of this prospectus. However, there is no assurance that there will not be any direct or indirect adverse impact on our business, financial condition and results of operations arising from any effect on the PRC economy or other parts of the world as a result of the continuance of the COVID-19 outbreak. In the unlikely worst case scenario, assuming (i) all of our operations are suspended indefinitely, (ii) our trade receivables continue to be settled in the same manner as during the Track Record Period, (iii) our general and administrative costs remain unchanged since 30 June 2020, (iv) we maintained our available cash and cash equivalents and our unutilised banking facilities as at 30 June 2020 and (v) we utilise 10% of the net proceeds from the Global Offering as our working capital, we believe our business would be financially viable for at least 12 months. Please refer to the sections headed "Risk Factors – Risks Relating to our Business and Industry – We face risks related to health epidemics, infectious diseases and other outbreaks, including the recent COVID-19 outbreak.", "Industry Overview – Impact of the COVID-19 Outbreak on China's Household Care Industry" and "Financial Information – Recent Developments and Material Adverse Change" for further details.

Our Directors are also of the view that, taking into account the relevant circumstances, the COVID-19 outbreak is not expected to have a material adverse impact on our Group as a whole, on the basis that (i) as at the Latest Practicable Date, the production at all of our production bases has resumed, (ii) the COVID-19 outbreak has brought significant growth in the sales of our personal hygiene products and home care products, which partially offset the negative impact of the COVID-19 outbreak on the sales of our fabric care products, (iii) even though the COVID-19 outbreak has gradually subsided in the PRC, the consumers' awareness of the importance of personal and household hygiene has increased, which we believe will continue to drive up the sales of our personal hygiene products and home care products going forward, and (iv) the sales of our fabric care products have shown signs of recovery in the second quarter of 2020 as the COVID-19 outbreak has subsided. With people across the nation resuming their outdoor activities, we expect the demand of our fabric care products will continue to recover in the second half of 2020.

Impact of the COVID-19 Outbreak on Our Business Plan

Overall, the COVID-19 outbreak did not have a material adverse impact on our business strategies, and we believe that it has not and will not have a material adverse impact on our future business plans. Please refer to the subsection headed "Business Strategies" and the section headed "Future Plans and Use of Proceeds" for details.

LICENCES, APPROVALS AND PERMITS

We are required to maintain various licences, approvals and permits in order to operate our business. Our material licences and permits include the cosmetics product license, the disinfectant standard product license and the industrial standard product license. Our legal department is responsible for monitoring the validity status of our licences and permits and make timely applications for renewal to relevant government authorities. Please refer to the section headed "Appendix III – Regulatory Overview" for further information on the laws and regulations that we are subject to.

As at the Latest Practicable Date, we had obtained the requisite licences, approvals and permits from relevant authorities that are material to our operations in the PRC and such licences, approvals, and permits were valid and remain in effect as at the Latest Practicable Date. In addition, we monitor our compliance with the relevant laws and regulations to ensure that we have the requisite licences, approvals and permits for our operations.

LEGAL AND ARBITRATION PROCEEDINGS AND COMPLIANCE MATTERS

We may from time to time become a party to various litigation, arbitration or administrative proceedings arising in the ordinary course of our business. As at the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material and adverse effect on our business, financial condition or results of operations.

We were advised by our PRC legal advisers that, during the Track Record Period and up to the Latest Practicable Date, there were no material breaches or violations of laws or regulations applicable to us that would have a material adverse effect on our business, financial condition or results of operations. The table below sets forth summaries of certain incidents of non-compliance with applicable laws and regulations during the Track Record Period. Our Directors believe that these incidents of non-compliance, whether individually or collectively, will not have a material adverse impact on our business, financial condition or results of operations.

Non-compliance Incident	Reasons for the Non-compliance	Legal Consequences and Potential Maximum Penalties	Rectification and Preventive Actions Taken	Potential Operational and Financial Impact
1. Blue Moon China failed to pay housing provident funds for certain types of employees prior to July 2018. As at 30 June 2020, some of our PRC subsidiaries had not paid housing provident funds for our employees with disabilities in accordance with the requirements and standards of the local housing provident fund authority. The amount of outstanding housing provident fund contribution of our PRC subsidiaries for each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 were approximately RMB7,330,000, RMB4,310,000, RMB120,000 and RMB55,000, respectively.	We had not fully complied with the requirements in respect of housing provident fund contribution prior to July 2018 for certain types of employees because (1) the movements of these types of employees were relatively frequent and high, and (2) some employees were reluctant to make contribution to housing provident fund. Further, we had not fully complied with the requirements in respect of housing provident fund contributions for employees with disabilities as at 30 June 2020 because (1) some employees were reluctant to make contribution to housing provident fund, (2) housing provident funds for new employees had not started in the same month of their commencement of employment with our relevant PRC subsidiaries given the need to complete the relevant registration procedures, and (3) some employees' housing provident fund payment relationships with former employers had not yet been terminated at the relevant time and our PRC subsidiaries were unable to make contributions for such employees.	Where an employer is overdue in the payment of or contributions to the housing provident fund, the authority shall order it to make the payment within a prescribed time limit; where the payment has not been made after the expiration of the time limit, an application may be made to a People's Court for compulsory enforcement. The amount of outstanding housing provident fund contribution of our PRC subsidiaries for each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 were approximately RMB7,330,000, RMB4,310,000, RMB120,000 and RMB55,000, respectively. We may therefore be ordered by the relevant authorities to pay the outstanding amount in the aggregate sum of RMB11.82 million within a prescribed time limit, failing which we may be subject to specific enforcement by the People's Court. As advised by our PRC legal advisers and in accordance with the Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), no penalty	We have received confirmations from the competent PRC regulatory authorities of our PRC subsidiaries confirming that our PRC subsidiaries had never been subject to any administrative penalty due to non-compliance with the relevant laws and regulations concerning housing provident fund. Separately, in an interview with the Guangzhou Housing Provident Fund Management Centre on 1 June 2020, it was confirmed that, among others, (1) the authority was fully aware of the situations of our major PRC subsidiaries in Guangzhou where the number of employees making contributions and the size of contributions were compliant, (2) our PRC subsidiaries in Guangzhou had housing provident fund policies in place and had never been subject to any administrative penalty or investigation due to non-compliance with the laws and regulations concerning housing provident fund, (3) the Guangzhou Housing Provident Fund Management Centre had not received any complaint or disagreement in respect of our major PRC subsidiaries	As at the Latest Practicable Date, we had not received any notice to pay any fine or demand from the competent authorities ordering us to make payments of any shortfall to the housing provident fund. We had not received any material complaint from employees. Based on the above and the prevailing policies of the PRC regulatory authorities on outstanding housing provident fund contributions, our PRC legal advisers are of the view that there is a remote risk that these PRC subsidiaries will be ordered to pay the outstanding housing provident fund contributions or be penalised as a result of their failure to make contribution to housing provident fund in respect of all of its employees. On the basis of the advice from our PRC legal advisers, as the risk of the relevant PRC subsidiaries being penalised or ordered to make retrospective payments or any shortfall to the housing provident fund as a result of their failure to make housing provident fund contributions for their employees is remote, no provision has

Non-compliance Incident	Reasons for the Non-compliance	Legal Consequences and Potential Maximum Penalties	Rectification and Preventive Actions Taken	Potential Operational and Financial Impact
		will be levied by relevant authority in respect of the above amount of outstanding housing provident fund contribution.	in Guangzhou, (4) the Guangzhou Housing Provident Fund Management Centre currently had no plan to demand the payment of any shortfall in housing provident fund contributions, and (5) the Guangzhou Housing Provident Fund Management Centre had not discovered any material issues in respect of the contribution of our major PRC subsidiaries in Guangzhou. We have implemented a policy on managing housing provident fund contribution for our employees. We have also designated experienced human resources staff to process matters relating to housing provident fund contribution matters including all filing of documents, payment of contributions and updating the relevant government policies and regulations, including the applicable bases for calculation of the housing provident fund contributions, to our internal guidelines. We have also implemented additional internal control measures (which are set out below the table) to ensure our ongoing compliance with laws and regulations relating to housing provident fund.	been made nor indemnity from our Controlling Shareholders has been sought. Based on the above, our Directors are of the view that the non-compliance incidents of these PRC subsidiaries in respect of the housing provident fund contributions will not have a material adverse impact on our Group's business, financial condition and results of operations. As at the Latest Practicable Date, our PRC subsidiaries were in compliance with the housing provident fund contribution requirements in the PRC and will continue to make housing provident fund contributions in accordance with such requirements after the completion of the Global Offering.

Non-compliance Incident	Reasons for the Non-compliance	Legal Consequences and Potential Maximum Penalties	Rectification and Preventive Actions Taken	Potential Operational and Financial Impact
2. Some of our PRC subsidiaries failed to make social insurance contributions based on the actual salary level of certain employees between January 2017 and April 2017. The shortfall amount of social insurance contribution of some of our PRC subsidiaries for the period between January 2017 and April 2017 was RMB1,087,000.	We had not fully complied with the requirements in respect of social insurance contribution between January 2017 and April 2017 because certain employees of our PRC subsidiaries were reluctant to make full social insurance contributions.	According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), if an employer fails to make social insurance contributions in full, the relevant authority shall order the employer to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if the employer fails to make the overdue contributions within such time limit, a fine which is equal to one to three times the outstanding amount may be imposed. The shortfall amount of social insurance contribution of our relevant PRC subsidiaries for the period between January 2017 and April 2017 was RMB1,087,000. We may therefore be ordered by the relevant authorities to pay the outstanding amount in the aggregate sum of RMB1,087,000 within a prescribed period, failing which we may be subject to a penalty in an amount which is equal to one to three times of such shortfall amount. As advised by our PRC legal advisers, the maximum amount which may payable in respect of the above shortfall amount of social insurance contribution is RMB5,435,000. Such maximum amount is only payable if we fail to make overdue contributions within time limit set by the relevant authority. As at the Latest Practicable Date, we have not received any notice from the relevant authority demanding payment of any shortfall amount of social insurance contribution.	We have received confirmations from the competent PRC regulatory authorities of our relevant PRC subsidiaries confirming that (1) these PRC subsidiaries had never been subject to any administrative penalty due to non-compliance with the relevant laws and regulations concerning social insurance contribution, and (2) these PRC subsidiaries had not been found to have any unpaid social insurance contributions. We have been advised by our PRC legal advisers that if the relevant employees are unwilling to pay their underpaid share of social insurance contribution, the relevant PRC subsidiaries would be unable to pay the underpaid amount as well. We have implemented a policy on managing social insurance contribution for our employees. We have also designated experienced human resources staff to process matters relating to social insurance contribution matters including all filing of documents, payment of contributions and updating the relevant government policies and regulations, including the applicable bases for calculation of the social insurance contributions, to our internal guidelines. We have also implemented additional internal control measures (which are set out below the table) to ensure our ongoing compliance with laws and regulations relating to social insurance.	As at the Latest Practicable Date, we had not received any notice to pay any fine or demand from the relevant competent PRC regulatory authorities ordering us to pay any shortfall to the social insurance fund. We had not received any material complaint from employees and were not aware of any employees lodging any material complaint to the relevant competent regulatory authorities or initiating any arbitration or court proceedings against the relevant PRC subsidiaries in relation to their failure to fully contribute to the social insurance fund which may have any material adverse impact on our business, financial condition or results of operation. Based on the above and the prevailing policies of the PRC regulatory authorities on outstanding social insurance contributions, our PRC legal advisers are of the view that the shortfall amount of social insurance contribution will not have any material adverse impact on our relevant PRC subsidiaries' business and operations. On the basis of (1) the advice from our PRC legal advisers, (2) the fact that we have been making social insurance contributions in full since May 2017, (3) the shortfall amount of social insurance contribution is immaterial, and (4) the confirmations received from the competent PRC regulatory authorities, no provision has been made nor indemnity from our Controlling Shareholders is sought.

Non-compliance Incident	Reasons for the Non-compliance	Legal Consequences and Potential Maximum Penalties	Rectification and Preventive Actions Taken	Potential Operational and Financial Impact
				Based on the above, our Directors are of the view that the non-compliance incidents of these PRC subsidiaries in respect of the social insurance contributions will not have a material adverse impact on our Group's business, financial condition or results of operations. As at the Latest Practicable Date, our PRC subsidiaries were in compliance with the social insurance contribution requirements in the PRC and will continue to make social insurance contributions in accordance with such requirements after the completion of the Global Offering.

We have established an internal control function at the group level and each of our subsidiaries has designated the relevant personnel who will be responsible for monitoring our ongoing compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and employees involved with continuing training programmes and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identifying any concerns and issues relating to potential non-compliance. Our chief operating officer and executive Director, Ms. Xiao Haishan and our chief financial officer, company secretary and executive Director, Mr. Poon Kwok Leung, are responsible for ensuring our overall ongoing compliance.

With respect to our employee social security plan, we have implemented the following internal control measures to ensure our compliance with relevant PRC social security laws and regulations:

- we have designated experienced human resources staff to process matters relating to social insurance and housing provident fund contribution matters (including all filing of documents, payment of contributions and updating the relevant government policies and regulations to our internal guidelines);

- the manager of the human resources department of our Group will review the reporting and contributions of social insurance and housing provident fund for the employees of our Group regularly;

- our human resources department will also consult our PRC legal advisers, on the requirements under the relevant PRC laws and regulations in relation to social insurance and housing provident fund;

- training on relevant PRC social security and housing provident fund laws and regulations will be arranged for our management from time to time to keep them informed of the latest development in these areas;

- our human resources department will also organise information sessions for our employees and urge them to make contributions/payments in accordance with relevant social security and housing provident fund laws and regulations; and

- the manager of the human resources department will report to Ms. Xiao Haishan and Mr. Poon Kwok Leung on the legal and regulatory compliance and provide improvement recommendations when required.

With respect to our ongoing compliance generally, we have implemented the following internal control measures to ensure our compliance with applicable laws and regulations and to enhance our internal control:

- internal control system manuals on corporate governance, operations, management, legal matters, finance and auditing setting out the internal approval and review procedures pursuant to which our employees are mandated to comply with;

- supervision and guidance by our Audit Committee, which is empowered to provide an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group and the relevant audit processes;

- hiring additional personnel to support our continued growth and development including candidates with professional experience and qualifications; and

- engaging external professional advisers (including our compliance adviser, as well as legal advisers as to Hong Kong laws, PRC laws and laws of the jurisdiction(s) in which we may expand our operations, and tax advisers) to provide professional advice and guidance to our Group to ensure compliance with applicable laws and regulations. We will also arrange our external professional advisers to provide internal trainings to our Directors, senior management and employees from time to time to ensure our Directors, senior management and employees are kept up-to-date with any legal and regulatory developments.

Taking into account the above internal control measures implemented by us, the ongoing monitoring and supervision by our Board with the assistance from professional external advisers where required, and the fact that, as confirmed by our Directors, the non-compliance incidents did not involve any fraud or dishonesty, our Directors are of the view that (i) our enhanced internal control measures are adequate and effective, (ii) the suitability of our Directors is compliant with Rules 3.08 and 3.09 of the Listing Rules, and (iii) our Company is suitable for listing under Rule 8.04 of the Listing Rules.

*Prospective investors should read the following discussion and analysis in conjunction with our audited consolidated financial statements included in the section headed "Appendix I – Accountant's Report", together with the accompanying notes. The Accountant's Report has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Investors should read the whole of the Accountant's Report and not rely merely on the information contained in this section.*

The following discussion contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of its experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section headed "Risk Factors" and elsewhere in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2017, 2018 and 2019 refer to our financial year ended 31 December of each year.

OVERVIEW

We are a leading consumer-centric household care company in China. We develop, manufacture and market a wide selection of products under three categories: fabric care, personal hygiene and home care. Our liquid laundry detergent, liquid soap and concentrated liquid laundry detergent products had the largest market shares in their respective markets in each of 2017, 2018 and 2019, according to the Frost & Sullivan Report. Our reputation is decades in the making and is rooted in our commitment to customer satisfaction, our ability to understand and set consumer trends, and our focus on successful execution. Since our inception, we have focused on the markets with high growth potential and have built a strong brand. We have developed popular products such as Blue Moon Liquid Soap, Blue Moon Deep Clean Care Liquid Laundry Detergent and Blue Moon Machine Wash Supreme Concentrated Plus Laundry Detergent, and we continue to upgrade our products. As a result, we have become a leader in liquid laundry detergents, concentrated liquid laundry detergents and liquid soap markets in China.

We are an early mover and leader in utilising e-commerce in China's household care industry and have built a powerful omni-channel sales and distribution network. Our first mover advantage in the online sales and distribution channels in China's household care industry, as well as our expansion into new online sales channels allowed us to achieve rapid growth in online sales. Revenue generated from our online channels increased from HK$1,866.5 million in 2017 to HK$2,718.2 million in 2018 and further to HK$3,328.2 million in 2019, and decreased from HK$1,561.7 million for the six months ended 30 June 2019 to HK$1,431.6 million for the six months ended 30 June 2020, representing 33.1%, 40.2%, 47.2%, 57.4% and 58.8%, respectively, of our total revenue.

Our revenue increased from HK$5,632.0 million in 2017 to HK$7,049.9 million in 2019, at a CAGR of 11.9%, and our net profit increased from HK$86.2 million to HK$1,079.6 million during the same period. Our revenue for the six months ended 30 June 2020 was HK$2,435.9 million, as compared to HK$2,720.4 million for the six months ended 30 June 2019. Our net profit increased from HK$218.0 million for the six months ended 30 June 2019 to HK$302.2 million for the six months ended 30 June 2020.

BASIS OF PREPARATION OF FINANCIAL INFORMATION

We were incorporated in the Cayman Islands on 27 December 2007. Our consolidated financial statements for the Track Record Period has been prepared in accordance with HKFRS issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention. Please refer to Note 2.1 to the section headed "Appendix I – Accountant's Report" for details.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, some of which may not be within our control, including, but not limited to:

Consumer demand and consumption patterns

Our results of operations are affected by consumer demand and consumption patterns for our fabric care products, personal hygiene products and home care products, which in turn largely depend on the growth of disposable incomes in China as well as other factors that may contribute significantly to changes in our sales volume and revenue.

From 2015 to 2019, the per capita disposable income of the PRC urban residents has increased at a CAGR of 7.9%, and is expected to grow at a CAGR of 6.5% from 2019 to 2024. We believe that as the per capita disposable income in China continues its growth in the foreseeable future, the demand for our products will also generally increase. Consumer demand for our products is also generally driven by the growth of the market segments in which we operate. According to the Frost & Sullivan Report, the retail sales value of the household care industry in the PRC increased at a CAGR of 5.3% from 2015 to 2019, and is expected to grow at a CAGR of 8.7% from 2019 to 2024. According to the same source, retail sales value of fabric care, personal hygiene and home care products in China has increased at a CAGR of 4.8%, 2.5% and 7.4%, respectively from 2015 to 2019, and is expected to increase at a CAGR of 7.4%, 9.8% and 10.6% from 2019 to 2024, respectively. The continuing growth of the market segments in which we operate is expected to continue to drive our sales growth in the future.

Additionally, over the past decade, consumer preference in China has been gradually shifting from powder laundry detergents to liquid laundry detergents. According to the Frost & Sullivan Report, from 2015 to 2019, retail sales value of liquid laundry detergents in China has increased at a CAGR of 13.1%, while retail sales value of powder laundry detergents has decreased at a CAGR of 0.6%. As a result, we have seen steady increases in sales of our liquid laundry detergents during the Track Record Period. The liquid laundry detergent market is expected to continue to grow at a CAGR of 13.6% from 2019 to 2024, according to the Frost & Sullivan Report, as the penetration rate of liquid laundry detergent in China in 2019 was 44.0%, still substantially lower than that of other major economies such as 79.5% in Japan and 91.4% in the U.S. Additionally, with the continued growth of disposable incomes in China, we also believe that the consumer preferences will shift toward premium products, such as concentrated liquid laundry detergents and liquid soap. According to the Frost & Sullivan Report, the penetration rates of concentrated liquid laundry detergents and liquid soap in China remained significantly lower than those of other major economies, indicating further growth potential of such premium products in China.

In addition, changes of consumption patterns may be affected by factors that are beyond our control. With the recent COVID-19 outbreak, for example, the consumers' demand for fabric care products was generally weakened as consumers temporarily reduced outdoor activities due to social distancing during the COVID-19 outbreak. On the other hand, as a result of the COVID-19 outbreak, there has been an increasing awareness of the importance of personal and household hygiene, which has driven up the demand of our disinfectant products. We monitor the changes in the consumption patterns closely and endeavour to make timely adjustments to our production plans in response to these changes. Please refer to the section headed "Business – Impact of the COVID-19 Outbreak on Our Business" for further details.

Product mix

Our revenue and profitability are affected by our product mix. Different products, whether within the same product category, typically vary in product pricing and marketing strategies, raw materials, packaging formats and production costs, and thus have different gross profit margins. We believe that our diversified product portfolio enables us to capitalise on changes in market conditions and consumer demand in a timely manner. We have made continuous effort to adjust our product mix in response to consumers' changing preference during the Track Record Period.

The table below sets forth a breakdown of our gross profit and gross profit margin by product category for the periods indicated.

	Year ended 31 December						**Six months ended 30 June**			
	2017		**2018**		**2019**		**2019**		**2020**	
	Amount	**Gross profit margin**	**Amount**	**Gross profit margin**	**Amount**	**Gross profit margin**	**Amount**	**Gross profit margin**	**Amount**	**Gross profit margin**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Fabric care products	2,546,370	51.7	3,346,739	56.6	3,948,753	63.9	1,444,655	61.1	1,031,954	61.4
Personal hygiene products	208,674	63.6	263,856	64.3	271,986	65.0	117,890	65.5	317,549	68.2
Home care products	240,079	62.9	275,706	62.7	302,271	66.6	109,170	62.0	209,100	72.4
Total	2,995,123	53.2	3,886,301	57.4	4,523,010	64.2	1,671,715	61.5	1,558,603	64.0

During the Track Record Period, our gross profit margin increased from 53.2% in 2017 to 57.4% in 2018, and further increased to 64.2% in 2019, primarily due to a general increase in the gross profit margin of our fabric care products. Our gross profit margin increased from 61.5% for the six months ended 30 June 2019 to 64.0% for the six months ended 30 June 2020, primarily due to the increased sales of disinfectant products under both the personal hygiene and the home care product categories, which have relatively higher profit margins than other products. Please refer to the subsection headed "Description of Certain Consolidated Statements of Comprehensive Income Items – Gross profit and gross profit margin" for further information on our gross margins by product category.

Cost of raw materials

We offer a wide variety of household care products, including a variety of fabric care products, personal hygiene products and home care products. Please refer to the section headed "Business – Our Products" for details. The production of different products, especially those of different categories, usually requires different combinations of raw materials. Our raw materials primarily include chemicals and packaging materials. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, cost of chemicals represented 48.2%, 49.3%, 44.5%, 41.4% and 49.5%, respectively, of our total cost of sales. Most of our packaging materials are LDPE-based. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, cost of packaging materials represented 31.4%, 41.3%, 37.0%, 35.0% and 43.8%, respectively, of our total cost of sales. Please refer to the section headed "Business – Procurement and Inventory" for details.

Prices of raw materials generally fluctuate according to market conditions, changes in commodity prices, our bargaining power with the suppliers, logistics and processing costs, and government regulations and policies. Please refer to the section headed "Industry Overview – Price Trends of Raw Materials and Products" for details of the cost of main raw materials used in the production of household care products. We also take into account the cost of storage and storage capacity when optimising the cost of raw materials. We have sought to mitigate the impact of raw materials price fluctuations by (i) improving inventory and procurement management by refining our sales forecast to optimise our inventory levels based on (a) our insight into consumer behaviour based on the direct online transactions with the end customers, and (b) our proprietary CRM system that captures our distributors' inventory data and (ii) improving our production efficiency by standardising our ingredient management and ingredient addition procedure with the help of our self-developed Ingredient Management System. These efforts, along with the decreases in the cost of palm oil-based chemicals and LDPE-based packaging materials supplied to us, have led to a general decrease in our cost of sales per unit during the Track Record Period. Please refer to the subsection headed "Description of Certain Consolidated Statements of Comprehensive Income Items – Cost of sales" for further information on our cost of raw materials, including a sensitivity analysis illustrating the impact of hypothetical fluctuations in our average cost of such materials.

The increase in our gross profit margin during the Track Record Period was primarily driven by the decreasing price trend of the raw materials, which accounted for approximately 79.5%, 90.6%, 81.5%, 76.4% and 93.3% of our total cost of sales during the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. During the same periods, chemicals (a substantial amount of which is comprised of palm oil-based materials) accounted for approximately 48.2%, 49.3%, 44.5%, 41.4% and 49.5% of our total cost of sales, respectively; packaging materials (a substantial amount of which is comprised of LDPE-based materials) accounted for approximately 31.3%, 41.3%, 37.0%, 35.0% and 43.8% of our total cost of sales, respectively. According to the Frost & Sullivan Report, from 2017 to 2019, the price of LDPE decreased from RMB9,513.6 per tonne to RMB7,860.7 per tonne and the price of palm oil decreased from RMB5,771.5 per tonne to RMB4,884.2 per tonne.

We expect fluctuations in raw material prices to continue to affect our gross profit, our profit margins and other aspects of our results of operations. We believe that our diversified product portfolio has reduced the impact of raw materials' price fluctuations on our business, financial condition and results of operations. However, we cannot guarantee that we will be able to control our costs of raw materials and packaging materials or to pass our increased costs onto our distributors, key accounts or consumers. Please refer to the section headed "Risk Factors – Risks Relating to our Business and Industry – Changes in supply, quality and costs of raw materials, energy, transportation and other necessary supplies or services may impact our business, financial condition and results of operations." for further information.

Sales and distribution network

Our products are sold nationwide through our omni-channel sales and distribution network that covers all provinces in China. During the Track Record Period, we primarily sold our products through (i) online channels, which include (1) sales to major e-commerce platforms in China and various emerging online sales channels, such as social e-commerce platforms, fresh foods e-commerce platforms and the online procurement systems of corporations, and (2) sales to consumers through (a) our online proprietary stores on various major e-commerce platforms, social media platform and our self-developed mobile apps, and (b) third party online stores, (ii) direct sales to key account clients, including hypermarkets and supermarkets, and (iii) offline distributors that resell our products to hypermarkets, supermarkets, standalone supermarkets, convenience stores, local grocery stores, gas stations, certain small vendors in the residential communities of smaller cities and certain corporations that make procurement for resale or internal use.

According to the Frost & Sullivan Report, we were one of the first companies in the household care industry in China to utilise online channels. Leveraging the rapid growth of e-commerce in China, we have started utilising online channels to market and distribute our products since as early as July 2012. During the Track Record Period, we generated a significant portion of our revenue through our online channels, which accounted for 33.1%, 40.2%, 47.2%, 57.4% and 58.8% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. The increase was driven by our strengthened cooperation with the e-commerce platforms in light of the increasing and prevalent use of online channels by consumers in China. The retail sales value of China's online sales of household care products increased at a CAGR of 10.6% from 2015 to 2019 and is expected to grow at a CAGR of 16.2% from 2019 to 2024, according to the Frost & Sullivan Report. We expect sales via online channels to continue to contribute to our sales growth and to have synergies with our other sales and distribution network by enhancing our brand recognition.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, revenue generated through direct sales to key account clients represented 12.5%, 12.1%, 14.1%, 11.1% and 7.7% of our total revenue. During the same periods, revenue generated through our offline distributors represented 54.4%, 47.7%, 38.7%, 31.5% and 33.5%, respectively, of our total revenue. As at 31 December 2017, 2018 and 2019 and 30 June 2020, we had 1,175, 1,306, 1,267 and 1,403 offline distributors. We will continue to expand and optimise our offline distributor network by closely working with our offline distributors to penetrate local retail markets, increasing product exposure and improving sales performance. Please refer to the section headed "Business – Sales and Distribution Network – Offline Distributors" for details of our offline distributors.

Marketing and promotional activities

Our results of operations depend on the efficiency and effectiveness of our marketing and promotional activities. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our advertising and promotion expenses, as a percentage of total revenue, were 12.7%, 10.4%, 9.9%, 8.8% and 10.6%, respectively. The decrease in our advertising and promotion expenses as a percentage of our revenue has contributed to an improvement in our operating profit margin during the Track Record Period. Efficient and effective marketing and promotion could increase demand for our products, thereby increasing our sales volume in the short run and converting consumers to supporters of our brands that will bring us sustainable profits in the long run. During the Track Record Period, we marketed and promoted our brands and products primarily through our unique knowledge-based marketing strategies that seek to deliver knowledge and insights on household care based on our research and development experience to consumers, thereby educating the consumers in the value of our products and services. We have implemented our knowledge-based marketing through various channels including (i) online marketing, including marketing events hosted on social media platforms and e-commerce platforms, (ii) offline marketing, primarily through our cleaning consultants at retail points of sale, (iii) special events, including our sponsorship of nationally televised programmes and offline themed events we organise from time to time, and (iv) commercial advertisements, including celebrity endorsement. Please refer to the section headed "Business – Knowledge-Based Marketing" for details. Because market conditions and consumer preferences change constantly, our marketing and promotional activities may not necessarily be effective in the future and may also change as we continually strive to tailor our marketing strategy to market conditions.

Seasonality

Our results of operations are affected by seasonal fluctuations in demand for our products. Our customers usually order more products from us in the time leading to the Chinese New Year holidays. Thus, the timing of Chinese New Year can have an impact on our sales. For example, our sales were higher in December 2019 compared to December 2018, primarily because the customers ordered more products from us in December 2019 in anticipation of Chinese New Year in January 2020, whereas the Chinese New Year in 2019 was in February. Sales also tend to increase around a few major online shopping holidays in China, such as the 618 Shopping Festival on 18 June and Singles' Day on 11 November. Such increases are seasonal in nature and are not indicative of our results of operations for the full year. Moreover, sales of certain products are subject to seasonality by nature. For example, sales of down jacket cleansers are generally higher in winter. Additionally, the timing of Chinese New Year may also affect the ending balances of inventory and trade and bill receivables for a financial year, both of which are recorded at 31 December of that financial year. Accordingly, various aspects of our financial positions and results of operations, including sales, inventory, trade and bill receivables, working capital and operating cashflow, are exposed to the seasonal fluctuations in demand for our products, and our half-year results may not reflect our full-year results.

Effect of currency fluctuation on translation of our consolidated financial statements

Our consolidated financial statements presentation and reporting currency is Hong Kong dollar, which is also the functional currency of Blue Moon Group. The functional currency of the majority of our subsidiaries is RMB. Consequently, fluctuations in the exchange rates between Hong Kong dollar versus RMB affect the translation into Hong Kong dollar of the financial results of our consolidated financial statements.

Fluctuations in the exchange rates between Hong Kong dollar versus RMB affect the translation into Hong Kong dollar of the financial results of our consolidated financial statements. Assets and liabilities for each balance sheet presented are translated into Hong Kong dollar at the closing exchange rate on the date of that balance sheet; income and expenses for each consolidated statements of comprehensive income are translated into Hong Kong dollar at average exchange rates (unless such translations are not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and all resulting exchange differences are recognised in other comprehensive income. The following table provides the effective exchange rate used in our consolidated financial statements for the Track Record Period.

	Year ended or as at 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	Consolidated statements of comprehensive income	*Consolidated balance sheet*	*Consolidated statements of comprehensive income*	*Consolidated balance sheet*	*Consolidated statements of comprehensive income*	*Consolidated balance sheets*	*Consolidated statements of comprehensive income*	*Consolidated balance sheets*	*Consolidated statements of comprehensive income*	*Consolidated balance sheets*
1 RMB to:										
Hong Kong dollar	1.1542	1.1963	1.1681	1.1413	1.1288	1.1164	1.1390	1.1368	1.1056	1.0948

We currently do not have any foreign currency hedging policy, nor do we have any plans to conduct any hedging activities as we do not have any significant foreign currency exchange exposure. We carry out substantially all of our business and derive all of our revenue from the PRC. Accordingly, our revenue, expenses, assets and liabilities are denominated in RMB.

Changes in RMB against Hong Kong dollar has had an impact on our profit and loss during the Track Record Period. We recognised other comprehensive income in our consolidated statements of comprehensive income of HK$89.0 million in 2017, other comprehensive loss of HK$65.0 million in 2018, other comprehensive loss of HK$74.3 million in 2019, other comprehensive loss of HK$29.2 million for the six months ended 30 June 2019 and other comprehensive loss of HK$49.6 million for the six months ended 30 June 2020, due to exchange differences from translation of financial statements of subsidiaries. While such fluctuations did not have a significant impact on our consolidated statements of comprehensive income during the Track Record Period, this may not be the case in the future. Please refer to the subsections headed "Results of Operations – Revenue" and "Results of Operations – Gross profit and gross profit margin" for details of the impact of currency fluctuation on our revenue and gross profit.

SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Please refer to Notes 2 and 4 to the section headed "Appendix I – Accountant's Report" for our significant accounting policies, judgements and estimates that are important for you to understand our financial condition and results of operations.

We have adopted HKFRS 9, HKFRS 15 and HKFRS 16 using full retrospective approach with which the relevant accounting policies have been consistently applied to our Group's consolidated financial statements throughout the Track Record Period. As compared to HKAS 39, HKAS 18 and HKAS 17, the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 did not have any material impact on our financial position and performance during the Track Record Period.

Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. The assumptions and estimates are based on historical experience and other factors that are considered to be relevant. While such judgements, estimates and assumptions were generally in line with our actual results in the past and our Directors do not expect such estimates and assumptions will change significantly in the future, actual results may differ from these estimates. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgements and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe involve the most significant estimates and judgements used in preparing of our consolidated financial statements.

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of our activities. Revenue is shown net of value-added tax ("**VAT**"), returns and rebates and after eliminating sales within our Group.

Sales of Goods

Revenue from the sales of goods is recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or we have objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated returns and volume rebates (if any). Accumulated experience is used to estimate and provide for the returns and rebates, using the expected value method, based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected returns and volume rebates payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with credit terms that are consistent with market practice. Our obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

If the services we rendered or products we delivered exceed the payments made by the counterparties, a contract asset is recognised. If the payments exceed the services rendered or products delivered, a contract liability is recognised. A contract liability is the obligation to transfer goods or services to a customer for which we have received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before we transfer goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when we perform under the contract.

Interest Income

Interest income is recognised using the effective interest method.

Property and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset to its working condition and location for intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	30 to 50 years
Leasehold improvements	Shorter of the lease terms or 5 years
Plant and machinery	5 to 20 years
Furniture, fixtures and equipment	4 to 15 years
Motor vehicles	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing net proceeds with the carrying amount and are recognised in consolidated statements of comprehensive income.

Our management determines the estimated useful lives and related depreciation and amortisation charges for our property, plant and equipment and intangible assets, respectively. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature. Our management will increase the depreciation and amortisation where useful lives are less than previously estimated lives. Periodic review could result in a change in useful lives and therefore depreciation and amortisation expense in the future periods.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the applicable variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Our management reassesses the estimation at the end of each reporting period.

Intangible Assets

Trademarks and Patents

Separately acquired trademarks and patents are stated at historical cost. Trademarks and patents acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives of 10 years, i.e. the license period.

Computer Software and System

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products and system controlled by us, and that will generate probable future economic benefits exceeding costs (beyond one year), are recognised as intangible assets.

Directly attributable costs that are capitalised as part of the software and system include the software and system development employee costs and an appropriate portion of relevant overheads.

Our Group's computer system under development as at 31 December 2017, 2018 and 2019 and 30 June 2020 represented operating systems and software developed for our Group's internal use to support our Group's daily operations. Such intangible assets, upon completion, cannot generate cash inflows independently, and are considered as "corporate assets" in accordance with "HKAS 36 – Impairment assets". Accordingly, in the impairment testing of such intangible assets not yet available for use, the related carrying amounts are allocated to the related cash generating unit (i.e. our Group's financial performance as a whole) and has been assessed annually on a consistent basis during the Track Record Period.

No impairment loss for the computer system under development is considered necessary during the Track Record Period in view of favourable financial performance of our Group.

Computer systems under development are transferred to computer software upon the completion of the respective development, and amortisation will commence accordingly over their estimated useful lives of 5 to 10 years based on our management's expectation on the technological lives of the systems, on a straight-line basis.

Provisions

Provisions are recognised when we have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Trade Receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. We hold the trade receivables with the objective to collect the contractual cash flows and therefore measure them subsequently at amortised cost using the effective interest method. Please refer to Note 3.1(c) to the section headed "Appendix I – Accountant's Report" for further information about our accounting for trade receivables and a description of our impairment policies.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

We are subject to income taxes in the PRC and Hong Kong. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where we operate and generate taxable income. Our management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. We establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where we are able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

We offset deferred tax assets and liabilities where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

We recognise current and deferred tax in the consolidated profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Provision for sales return

We use the probability of sales return to account for our refund liabilities and right to returned goods for the goods sold in each reporting period. The probability is measured by reference to the historical pattern of sales return to estimate the total refund liabilities and right to returned goods. Significant assumptions are required to estimate the total refund liabilities and right to returned goods that may affect the revenue and cost of sales.

Refund liabilities

The revenue recognised by us at inception of sales (i.e. at the point in time when transfer of control of products occurs) comprises the fair value of consideration received or to be received, net of estimated returns, in accordance with the applicable HKFRS. At the end of each financial reporting period, our management remeasures the estimate for product returns based on historical results, taking into consideration types of customers, types of transactions and the specifics of each arrangement. Given the low historical product return rates over the Track Record Period prior to 2020, our management considered the fair value of estimated returns to be insignificant and therefore no refund liability nor relevant right of returned goods were provided for or recognised as at 31 December 2017, 2018 and 2019. In 2020, we have experienced product return requests from our customers and accepted certain product return requests in light of the market disruption arisen from the COVID-19 outbreak. As at 30 June 2020, refund liabilities amounted to approximately HK$53.5 million and relevant right of returned goods amounted to approximately HK$12.8 million was recognised as at 30 June 2020 in accordance with the applicable HKFRS based on our management's best estimate for product returns as at 30 June 2020. No additional performance obligation was accounted for in relation to the product return.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following consolidated statements of comprehensive income for the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020 and the selected consolidated balance sheet information as at 31 December 2017, 2018 and 2019 and 30 June 2020 set forth below, are derived from the section headed "Appendix I – Accountant's Report".

Extract of Consolidated Statements of Comprehensive Income

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	5,632,033	6,767,945	7,049,905	2,720,350	2,435,868
Cost of sales	(2,636,910)	(2,881,644)	(2,526,895)	(1,048,635)	(877,265)
Gross profit	2,995,123	3,886,301	4,523,010	1,671,715	1,558,603
Other income and other gains, net	23,097	37,446	51,522	34,673	39,768
Selling and distribution expenses	(2,068,649)	(2,547,972)	(2,323,123)	(1,030,713)	(816,386)
General and administrative expenses	(776,271)	(632,774)	(747,765)	(328,924)	(346,154)
Net (provision for)/reversal of impairment loss of financial assets	(16,073)	6,151	(1,867)	226	(6,459)
Operating profit	157,227	749,152	1,501,777	346,977	429,372
Finance income	3,126	6,218	5,652	2,154	4,136
Finance costs	(47,123)	(53,455)	(32,188)	(20,328)	(4,703)
Finance costs, net	(43,997)	(47,237)	(26,536)	(18,174)	(567)
Profit before income tax	113,230	701,915	1,475,241	328,803	428,805
Income tax expense	(27,071)	(147,930)	(395,624)	(110,847)	(126,612)
Profit for the year attributable to the owners of our Company	86,159	553,985	1,079,617	217,956	302,193

Consolidated Balance Sheets

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Intangible assets	97,143	100,779	146,943	139,460
Property, plant and equipment	1,113,900	1,124,285	1,211,091	1,211,978
Right-of-use assets	404,902	370,793	415,989	406,651
Prepayments for property, plant and equipment	245,211	160,248	59,421	58,648
Deferred income tax assets	113,724	79,270	76,540	91,074
	1,974,880	1,835,375	1,909,984	1,907,811
Current assets				
Inventories	567,978	586,879	375,757	445,019
Trade and bills receivables	928,643	1,142,940	1,750,049	1,123,046
Prepayments, deposits and other receivables	354,036	235,818	282,719	260,939
Restricted cash	2,863	19,120	25,890	18,085
Cash and cash equivalents	547,436	467,967	690,064	753,442
Tax recoverable	–	–	6,228	–
	2,400,956	2,452,724	3,130,707	2,600,531
Total assets	4,375,836	4,288,099	5,040,691	4,508,342
LIABILITIES				
Non-current liabilities				
Deferred government grant	68,192	63,670	61,843	59,982
Borrowings	185,263	211,182	207,396	73,548
Deferred income tax liabilities	12,531	22,707	98,698	119,959
Lease liabilities	39,017	28,915	33,824	28,009
	305,003	326,474	401,761	281,498
Current liabilities				
Trade and bills payables	931,943	664,721	511,922	349,276
Contract liabilities	14,366	20,502	16,188	44,644
Accruals and other payables	807,577	602,995	746,871	552,027
Amounts due to related companies	6,780	4,187	1,076	837
Dividend payable	85,261	85,261	48,261	–
Current income tax liabilities	17,540	39,527	218,679	95,885
Borrowings	812,992	662,628	206,529	74,386
Lease liabilities	25,534	24,021	26,325	30,781
	2,701,993	2,103,842	1,775,851	1,147,836
Total liabilities	3,006,996	2,430,316	2,177,612	1,429,334

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY				
Equity attributable to owners of our Company				
Share capital	–	–	–	–
Retained earnings	1,209,069	1,749,141	2,804,226	3,060,113
Other reserves	159,771	108,642	58,853	18,895
Total equity	1,368,840	1,857,783	2,863,079	3,079,008
Total equity and liabilities	4,375,836	4,288,099	5,040,691	4,508,342
Net current (liabilities)/assets	(301,037)	348,882	1,354,856	1,452,695
Total assets less current liabilities	1,673,843	2,184,257	3,264,840	3,360,506

Summarised Consolidated Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net cash generated from operating activities	703,114	249,017	1,032,424	93,516	526,908
Net cash used in investing activities	(214,890)	(138,220)	(193,503)	(9,030)	(81,209)
Net cash used in financing activities	(133,403)	(165,759)	(598,878)	(152,499)	(372,524)
Net increase/(decrease) in cash and cash equivalents	354,821	(54,962)	240,043	(68,013)	73,175
Cash and cash equivalents, at beginning of the year/period	165,075	547,436	467,967	467,967	690,064
Effect of foreign exchange rate changes	27,540	(24,507)	(17,946)	(16,020)	(9,797)
Cash and cash equivalents, at end of the year/period	547,436	467,967	690,064	383,934	753,442

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

During the Track Record Period, we generated revenue from the sale of (i) fabric care products, (ii) personal hygiene products and (iii) home care products in the PRC market. Our revenue represents the net of value-added tax, returns and rebates and after eliminating sales within our Group. The table below sets forth a breakdown of our revenue by product category for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
	HK$'000	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*(%)*	*HK$'000 (unaudited)*	*(%)*	*HK$'000*	*(%)*
Fabric care products	4,922,459	87.4	5,917,277	87.4	6,177,613	87.6	2,364,351	86.9	1,681,407	69.0
Personal hygiene products	328,021	5.8	410,616	6.1	418,545	5.9	180,051	6.6	465,602	19.1
Home care products	381,553	6.8	440,052	6.5	453,747	6.5	175,948	6.5	288,859	11.9
Total	5,632,033	100.0	6,767,945	100.0	7,049,905	100.0	2,720,350	100.0	2,435,868	100.0

The following table sets forth our sales volume and average selling price by product category for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	Sales volume (net weight)	Average selling price	Sales volume (net weight)	Average selling price	Sales volume (net weight)	Average selling price	Sales volume (net weight)	Average selling price	Sales volume (net weight)	Average selling price
	kg '000	*HK$ per kg*	*kg '000*	*HK$ per kg*	*kg '000*	*HK$ per kg*	*kg '000*	*HK$ per kg*	*kg '000*	*HK$ per kg*
Fabric care products	401,269	12.3	464,022	12.8	508,665	12.1	198,716	11.9	167,077	10.1
Personal hygiene products	24,138	13.6	30,310	13.5	32,425	12.9	13,551	13.3	32,470	14.3
Home care products	25,059	15.2	30,317	14.5	32,831	13.8	13,137	13.4	23,045	12.5
Total	450,466	12.5	524,649	12.9	573,921	12.3	225,404	12.1	222,592	10.9

In RMB terms, the average selling prices of fabric care products for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 were RMB10.6 per kg, RMB10.9 per kg, RMB10.8 per kg, RMB10.5 per kg and RMB9.1 per kg, respectively; the average selling prices of personal hygiene products during the same periods were RMB11.8 per kg, RMB11.6 per kg, RMB11.4 per kg, RMB11.7 per kg and RMB13.0 per kg, respectively; and the average selling prices for home care products during the same periods were RMB13.2 per kg, RMB12.4 per kg, RMB12.2 per kg, RMB11.8 per kg and RMB11.3 per kg, respectively.

The average selling prices of fabric care products remained generally stable between 2017 and 2019. However, the average selling prices of such products decreased in the six months ended 30 June 2020, primarily due to the COVID-19 outbreak, which (i) resulted in more discounts due to weaker consumers' demand for fabric care products in general as consumers temporarily reduced outdoor activities due to social distancing during the COVID-19 outbreak, (ii) had a more severe impact on our Supreme branded concentrated liquid laundry detergents which had a higher average selling price. Because of government restrictions and less customer traffic in offline channels as a result of, the COVID-19 outbreak, we were unable to deploy our sales personnel to offline hypermarkets to help consumers better understand the value of such products and (iii) resulted in returns of fabric care products of approximately HK$149.8 million, of which HK$54.1 million were offset against sales of fabric care products for the six months ended 30 June 2020 without a corresponding decrease in the sales volume as these returned products have not yet been received as at 30 June 2020. The average selling price of fabric care products for the six months ended 30 June 2020 would have been RMB9.4 per kg without the impact of the HK$54.1 million offset.

The average selling prices of personal hygiene products remained generally stable between 2017 and 2019. The average selling prices of such products increased in the six months ended 30 June 2020, primarily due to reduced sales discount offered to consumers as demand for personal hygiene products such as liquid soap increased in the six months ended 30 June 2020 because of the COVID-19 outbreak.

The decrease in the average selling prices of home care products between 2017 and 2018 was primarily due to (i) a decrease in the average selling prices of our kitchen cleaner series and natural tea concentrated dishwash series and (ii) an increase in the revenue contribution of natural tea concentrated dishwash series which have relatively lower average selling prices. While the average selling price of home care products remained generally stable between 2018 and 2019, the average selling prices of such products decreased in the six months ended 30 June 2020, primarily due to a change in product mix as we sold more disinfectant liquid in the first half of 2020, which has a relatively lower average selling price than other home care products.

During the Track Record Period, Blue Moon Deep Clean Care Liquid Laundry Detergent series (including Blue Moon Liquid Laundry Deep Clean Care (Whitening) Detergent), pre-wash and hand-wash liquid laundry detergent series and laundry aids were among the most popular under fabric care products during the Track Record Period. During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the revenue of Blue Moon Deep Clean Care Liquid Laundry Detergent Series, pre-wash and hand-washed liquid laundry detergent series and laundry aids combined was HK$3,820.8 million, HK$4,495.3 million, HK$4,751.4 million, HK$1,895.6 million and HK$1,400.7 million, respectively, which accounted for 77.6%, 76.0%, 76.9%, 80.2% and 83.3% of the total revenue under fabric care products during the same periods. The table below sets forth the sales volume and average selling price of Blue Moon Deep Clean Care Liquid Laundry Detergent series, pre-wash and hand-wash liquid laundry detergent series and laundry aids for the periods indicated.

	Year ended 31 December					
	2017		**2018**		**2019**	
	Sales volume (net weight)	**Average selling price**	**Sales volume (net weight)**	**Average selling price**	**Sales volume (net weight)**	**Average selling price**
	kg '000	*HK$ per kg*	*kg '000*	*HK$ per kg*	*kg '000*	*HK$ per kg*
Blue Moon Deep Clean Care Liquid Laundry Detergent Series	299,221	10.6	341,684	11.1	365,617	11.1
Pre-wash and hand-wash liquid laundry detergent series	23,258	14.4	23,512	14.2	23,360	14.0
Laundry aids	24,691	12.5	29,655	12.1	32,055	11.4

	Six months ended 30 June			
	2019		**2020**	
	Sales volume (net weight)	**Average selling price**	**Sales volume (net weight)**	**Average selling price**
	kg '000	*HK$ per kg*	*kg '000*	*HK$ per kg*
Blue Moon Deep Clean Care Liquid Laundry Detergent Series	147,937	11.1	106,540	10.5
Pre-wash and hand-wash liquid laundry detergent series	8,667	13.4	6,213	13.5
Laundry aids	14,229	11.2	16,747	11.5

During the Track Record Period, the most popular products under personal hygiene products were antibacterial liquid soap series. During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the revenue of the antibacterial liquid soap series was HK$236.1 million, HK$330.9 million, HK$339.4 million, HK$146.2 million and HK$405.7 million, respectively, which accounted for 72.0%, 80.6%, 81.1%, 81.2% and 87.1% of the total revenue under personal hygiene products during the same periods. The table below sets forth the sales volume and average selling price of antibacterial liquid soap series for the periods indicated.

	Year ended 31 December					
	2017		2018		2019	
	Sales volume (net weight)	Average selling price	Sales volume (net weight)	Average selling price	Sales volume (net weight)	Average selling price
	kg '000	*HK$ per kg*	*kg '000*	*HK$ per kg*	*kg '000*	*HK$ per kg*
Antibacterial liquid soap series	18,380	12.8	23,964	13.8	25,330	13.4

	Six months ended 30 June			
	2019		2020	
	Sales volume (net weight)	Average selling price	Sales volume (net weight)	Average selling price
	kg '000	*HK$ per kg*	*kg '000*	*HK$ per kg*
Antibacterial liquid soap series	10,584	13.8	27,691	14.7

During the Track Record Period, the most popular products under home care products were generally kitchen cleaner series, natural tea concentrated dishwash series and Volo cleaner series. The table below sets forth the revenue of kitchen cleaner series, natural tea concentrated dishwash series and Volo cleaner series for the periods indicated.

	Year Ended 31 December			Six Months ended 30 June	
	2017	2018	2019	2019	2020
		HK$'000		*HK$'000*	
				(Unaudited)	
Revenue					
Kitchen cleaner series	82,553.0	93,035.1	102,406.8	34,301.2	33,723.2
Natural tea concentrated series	60,565.6	78,757.2	71,884.4	28,860.0	31,317.7
Volo cleaner series	52,444.8	63,713.8	59,692.7	22,830.3	23,012.0
Total	195,563.4	235,506.1	233,983.8	85,991.5	88,052.9

During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the combined revenue of the kitchen cleaner series, natural tea concentrated dishwash series and Volo cleaner series was HK$195.6 million, HK$235.5 million, HK$234.0 million, HK$86.0 million and HK$88.1 million, respectively, which accounted for 51.3%, 53.5%, 51.6%, 48.9% and 30.5% of the total revenue under home care products during the same periods. The revenue contribution of these products decreased in the six months ended 30 June 2020 primarily because of the COVID-19 outbreak, as a result of which the demand for our disinfectant liquid series increased substantially in the first six months ended 30 June 2020. Revenue from disinfectant liquid increased substantially from HK$19.0 million in the six months ended 30 June 2019 to HK$117.8 million in the six months ended 30 June 2020, which accounted for 10.8% and 40.8% of the total revenue under home care products during the same periods, respectively. The table below sets forth the sales volume and average selling price of kitchen cleaner series, natural tea concentrated dishwash series and Volo cleaner series for the periods indicated.

	Year ended 31 December					
	2017		**2018**		**2019**	
	Sales volume (net weight)	**Average selling price**	**Sales volume (net weight)**	**Average selling price**	**Sales volume (net weight)**	**Average selling price**
	kg '000	*HK$ per kg*	*kg '000*	*HK$ per kg*	*kg '000*	*HK$ per kg*
Kitchen cleaner series	4,451	18.5	5,175	18.0	5,379	19.0
Natural tea concentrated dishwash series	4,619	13.1	6,097	12.9	5,791	12.4
Volo cleaner series	3,662	14.3	4,317	14.8	4,313	13.8

	Six months ended 30 June			
	2019		**2020**	
	Sales volume (net weight)	**Average selling price**	**Sales volume (net weight)**	**Average selling price**
	kg '000	*HK$ per kg*	*kg '000*	*HK$ per kg*
Kitchen cleaner series	2,068	16.6	1,834	18.4
Natural tea concentrated dishwash series	2,212	13.0	2,445	12.8
Volo cleaner series	1,642	13.9	1,572	14.6

Please refer to the subsection headed "Results of Operations" for further analysis of different products' average selling price and sales volume during the Track Record Period.

The following table sets forth our sales revenue by channel for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
	HK$'000	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*(%)*	*HK$'000* *(Unaudited)*	*(%)*	*HK$'000*	*(%)*
Online sales channels	1,866,516	33.1	2,718,155	40.2	3,328,158	47.2	1,561,731	57.4	1,431,570	58.8
Direct sales to key account clients	703,245	12.5	820,191	12.1	996,582	14.1	302,299	11.1	187,707	7.7
Offline distributors	3,062,272	54.4	3,229,599	47.7	2,725,165	38.7	856,320	31.5	816,591	33.5
Total	5,632,033	100.0	6,767,945	100.0	7,049,905	100.0	2,720,350	100.0	2,435,868	100.0

Please refer to the subsection headed "Results of Operations – Revenue" for further analysis of sales revenue by sales channel during the Track Record Period.

Cost of sales

Our cost of sales included the (i) costs of raw materials consumed, (ii) changes in inventories of finished goods and work in progress related to the goods made in prior years that are subsequently sold in that period, (iii) overhead costs, including utility expenses, maintenances expenses, consumables and other indirect labour and material expenses related to the manufacturing process, but excluding depreciation, (iv) employee benefit expenses directly associated with product production, including salaries and wages and staff welfare relating to the employees who were directly or indirectly involved in the manufacture, assembly, testing and quality control of our products, (v) depreciation of property, plant and equipment related to product production and (vi) others.

The table below sets forth a breakdown of our cost of sales by nature for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	Cost	% of Total Cost of Sales	Cost	% of Total Cost of Sales	Cost	% of Total Cost of Sales	Cost	% of Total Cost of Sales	Cost	% of Total Cost of Sales
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Cost of raw materials consumed	2,096,388	79.5	2,611,150	90.6	2,059,549	81.5	801,453	76.4	818,137	93.3
Changes in inventories of finished goods and work in progress	261,230	9.9	8,360	0.3	218,739	8.7	134,525	12.8	(61,995)	(7.1)
Overhead costs	23,751	0.9	40,568	1.4	39,385	1.6	18,961	1.8	20,311	2.3
Employee benefit expenses	122,680	4.7	158,481	5.5	143,415	5.7	59,581	5.7	64,440	7.3
Depreciation of property, plant and equipment	65,587	2.5	71,361	2.5	65,807	2.5	34,115	3.3	31,410	3.6
Others[(1)]	67,274	2.5	(8,276)	(0.3)	–	–	–	–	4,962	0.6
Total	2,636,910	100.0	2,881,644	100.0	2,526,895	100.0	1,048,635	100.0	877,265	100.0

Note:

(1) "Others" primarily included inventory provision or its reversal and inventory written-off.

Cost of raw materials consumed

The major raw materials we use in our production process mainly include chemicals and packaging materials. Please refer to the section headed "Financial Information – Cost of raw materials" for details. Other materials accounted for an insignificant portion of our total cost of sales, for the same periods. The table below sets forth a breakdown of our cost of raw materials consumed for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	Cost	% of Total Cost of Raw Materials Consumed	Cost	% of Total Cost of Raw Materials Consumed	Cost	% of Total Cost of Raw Materials Consumed	Cost	% of Total Cost of Raw Materials Consumed	Cost	% of Total Cost of Raw Materials Consumed
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Chemicals	1,269,808	60.6	1,420,063	54.4	1,124,114	54.6	434,074	54.2	434,039	53.1
Packaging materials	826,580	39.4	1,191,087	45.6	935,435	45.4	367,379	45.8	384,098	46.9
Total	2,096,388	100.0	2,611,150	100.0	2,059,549	100.0	801,453	100.0	818,137	100.0

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the costs of our chemicals and packaging materials on our profit before income tax for the periods indicated, assuming all other factors affecting our profitability had remained unchanged.

Increase/decrease in the cost of chemicals:

	Increase/ decrease by 1%	Increase/ decrease by 5%	Increase/ decrease by 10%
	HK$'000	*HK$'000*	*HK$'000*
Corresponding change in profit before income tax			
2017	-/+12,698	-/+63,490	-/+126,981
2018	-/+14,201	-/+71,003	-/+142,006
2019	-/+11,241	-/+56,206	-/+112,411
Six months ended 30 June 2020	-/+4,340	-/+21,702	-/+43,404

Increase/decrease in the cost of packaging materials:

	Increase/ decrease by 1%	Increase/ decrease by 5%	Increase/ decrease by 10%
	HK$'000	*HK$'000*	*HK$'000*
Corresponding change in profit before income tax			
2017	-/+8,266	-/+41,329	-/+82,658
2018	-/+11,911	-/+59,554	-/+119,109
2019	-/+9,354	-/+46,772	-/+93,544
Six months ended 30 June 2020	-/+3,841	-/+19,205	-/+38,410

Note:

This sensitivity analysis is intended for reference only, and any actual change in profit before income tax may differ from the amounts indicated. Investors should note in particular that the factors considered in this sensitivity analysis are not intended to be exhaustive and are limited to the changes in our costs of raw materials and packaging materials.

Gross profit and gross profit margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The table below sets forth our gross profit and gross profit margin by product category for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	Amount	Gross profit margin	Amount	Gross profit margin	Amount	Gross profit margin	Amount	Gross profit margin	Amount	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Fabric care products	2,546,370	51.7	3,346,739	56.6	3,948,753	63.9	1,444,655	61.1	1,031,954	61.4
Personal hygiene products	208,674	63.6	263,856	64.3	271,986	65.0	117,890	65.5	317,549	68.2
Home care products	240,079	62.9	275,706	62.7	302,271	66.6	109,170	62.0	209,100	72.4
Total	2,995,123	53.2	3,886,301	57.4	4,523,010	64.2	1,671,715	61.5	1,558,603	64.0

The increase in our gross profit margin during the Track Record Period was primarily driven by the decreasing price trend of the raw materials as well as other factors such as improved inventory management and production efficiency. Raw materials accounted for approximately 79.5%, 90.6%, 81.5%, 76.4% and 93.3% of our total cost of sales during the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. During the same periods, chemicals (a substantial amount of which is comprised of palm oil-based materials) accounted for approximately 48.2%, 49.3%, 44.5%, 41.4% and 49.5% of our total cost of sales, respectively; packaging materials (a substantial amount of which is comprised of LDPE-based materials) accounted for approximately 31.3%, 41.3%, 37.0%, 35.0% and 43.8% of our total cost of sales, respectively. According to the Frost & Sullivan Report, from 2017 to 2019, the price of LDPE decreased from RMB9,513.6 per tonne to RMB7,860.7 per tonne and the price of palm oil decreased from RMB5,771.5 per tonne to RMB4,884.2 per tonne.

Other income and other gains, net

Our net other income and other gains comprised government grants primarily related to subsidies granted by the local government authority to Blue Moon Industrial in recognition of its achievements and contribution to local economy, foreign exchange gains, gain on de-recognition of right-of-use assets, gain on early termination of leases, scrap sales related to unused materials and sundry income.

The table below sets forth a breakdown of our net other income and other gains for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
		HK$'000		*HK$'000* (*unaudited*)	
Government grants	7,553	35,932	40,491	30,244	37,372
Net foreign exchange gains/(losses)	3,455	1,441	(457)	399	(700)
Gain on disposal of right-of-use assets	8,631	–	–	–	–
(Loss)/gain on early termination of leases	(182)	42	–	–	–
Scrap sales	3,337	1,232	6,119	3,623	3,723
Sundry income/(expense), net	303	(1,201)	5,369	407	(627)
Total	23,097	37,446	51,522	34,673	39,768

Selling and distribution expenses

Selling and distribution expenses consisted principally of (i) employee benefit expenses, including salaries and wages and staff welfare of employees directly related to the sales and marketing of our products, (ii) advertising and promotion expenses, (iii) transportation and related expenses, including those incurred in delivery of products and business travel of sales and marketing employees, (iv) rental expenses in respect of office premises, (v) depreciation and amortisation, and (vi) others. In 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our selling and distribution expenses were HK$2,068.6 million, HK$2,548.0 million, HK$2,323.1 million, HK$1,030.7 million and HK$816.4 million, respectively, representing 36.7%, 37.6%, 33.0%, 37.9% and 33.5% of our revenue for the same respective periods.

The table below sets forth a breakdown of our selling and distribution expenses for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
		HK$'000		*HK$'000* (*unaudited*)	
Employee benefit expenses	867,602	1,313,357	1,062,752	550,743	316,302
Advertising and promotion	713,893	707,296	699,571	240,349	258,921
Transportation and related expenses	428,864	458,769	505,754	187,831	198,744
Rental expenses in respect of office premises	11,436	23,647	16,454	8,008	10,379
Depreciation and amortisation	19,165	20,988	21,381	10,737	9,931
Others[(1)]	27,689	23,915	17,211	33,045	22,109
Total	2,068,649	2,547,972	2,323,123	1,030,713	816,386

Note:

(1) "Others" primarily included other tax expense, consumables, office expenses, recruitment fee, consumables, utility expenses, maintenance expenses and others.

The advertising and promotion expenses primarily related to expenses on advertisements on different media, such as TV, online and newspapers, and expenses related to other online and offline marketing activities. The table below sets forth a breakdown of our advertising and promotion expenses for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
		HK$'000		*HK$'000* (*unaudited*)	
Advertisement expenses[(1)]	499,023	422,360	404,659	120,923	107,627
Promotion expenses related to online channels[(2)]	102,116	123,243	178,903	72,441	90,099
Promotion expenses related to offline channels[(3)]	64,747	97,219	83,442	34,354	51,918
Others[(4)]	48,007	64,474	32,567	12,631	9,277
Total	713,893	707,296	699,571	240,349	258,921

Notes:

(1) Advertisement expenses primarily included those related to TV advertisements, followed by expenses related to advertisements online and in newspapers.

(2) Promotion expenses related to online channels primarily included (a) platform support fees which were pegged to the number of orders our Group received from that online platform, and (b) fees that our Group paid to the online platforms to increase our product exposure on such platforms to promote its sales.

(3) Promotion expenses related to offline channels primarily included (a) product display fees in certain locations of offline stores; (b) expenses to allow our sales personnel market our products in offline stores, (c) expenses to allow offline promotional activities and events to be initiated by us in offline stores, (d) expenses in relation to store-wide promotional events initiated by offline stores, and (e) entrance fees for certain offline channels.

(4) "Others" primarily included fees related to public relations and consultation fees related to marketing strategies.

General and administrative expenses

General and administrative expenses included (i) employee benefit expenses, including salaries and wages and staff welfare for our administrative and management staff, (ii) professional fee, including auditor's renumeration and consulting fee, (iii) transportation and related expenses, including those incurred in business travels of administrative and management staff and business use of our vehicles, (iv) other tax expenses, (v) depreciation and amortisation, and (vi) others. In 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our general and administrative expenses were HK$776.3 million, HK$632.8 million, HK$747.8 million, HK$328.9 million and HK$346.2 million, respectively, representing 13.8%, 9.4%, 10.6%, 12.1% and 14.2% of our revenue for the same respective periods.

The table below sets forth a breakdown of our general and administrative expenses for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
		HK$'000		*HK$'000*	
				(unaudited)	
Employee benefit expenses	471,017	372,767	462,530	203,542	204,946
Professional fee	28,719	25,019	29,769	12,748	11,585
Transportation and related expenses	37,902	14,292	19,849	8,802	5,503
Other tax expenses	78,753	81,339	76,182	32,264	28,974
Depreciation and amortisation	61,741	82,911	66,722	33,592	44,557
Listing expenses	–	–	–	–	21,448
Others[(1)]	98,139	56,446	92,713	37,976	29,141
Total	776,271	632,774	747,765	328,924	346,154

Note:

(1) "Others" primarily included rental expenses in respect of office premises, consumables, office expenses, recruitment fee, utility expenses, maintenance expenses, net losses on disposal of property, plant and equipment and others.

Net (provision for)/reversal of impairment loss of financial assets

Our net impairment loss of financial assets primarily included provision for or reversal of impairment loss related to trade and bills receivables due from certain customers.

Operating profit

As a result of the foregoing, our operating profit was HK$157.2 million, HK$749.2 million, HK$1,501.8 million, HK$347.0 million and HK$429.4 million in 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, while our operating profit margins were 2.8%, 11.1%, 21.3%, 12.8% and 17.6% over the same respective periods.

Finance income and costs

Our finance income consisted of interest income from bank deposits. Interest income was recognised as it accrued, using the effective interest method. Finance costs consisted of interest expenses on bank borrowings and on lease liabilities less borrowing costs capitalised on qualifying assets.

The table below sets forth a breakdown of our finance income and costs for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
		HK$'000		*HK$'000* *(unaudited)*	
Finance income					
Interest income on bank deposits	3,126	6,218	5,652	2,154	4,136
Finance costs					
Interest expenses on bank borrowings	(47,049)	(53,876)	(34,010)	(20,677)	(5,699)
Interest expenses on lease liabilities	(2,899)	(3,331)	(3,234)	(1,527)	(1,792)
Less: borrowing costs capitalised on qualifying asset	2,825	3,752	5,056	1,876	2,788
Finance costs, net	(43,997)	(47,237)	(26,536)	(18,174)	(567)

Income tax expense

Our Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and, accordingly, is exempt from payment of Cayman Islands income tax. We have not made any provision for Hong Kong profits tax as we did not generate any assessable profits in Hong Kong during the Track Record Period.

Income tax expense consisted of current income tax and deferred income tax expense payable by our subsidiaries in the PRC. These subsidiaries are subject to PRC enterprise income tax on their taxable income as reported in their respective statutory financial statements in accordance with the relevant tax laws and regulations in the PRC. The general enterprise income tax rate in the PRC is 25%. Certain subsidiaries have enjoyed preferential income tax rate of 15% during the Track Record Period. However, we expect that the preferential rate enjoyed by one of our subsidiaries, Blue Moon Industrial, will not be renewed from November 2020 onwards. In 2017, 2018 and 2019, the profit before taxation of Blue Moon Industrial per the statutory financial statements was RMB39.1 million, RMB53.5 million and RMB167.8 million, respectively. Please refer to the section headed "Risk Factors – Risks relating to our Business and Industry – We may be subject to higher income tax rates as certain preferential tax treatments granted to us may not be renewed." for details. Our income tax expense amounted to HK$27.1 million, HK$147.9 million, HK$395.6 million, HK$110.8 million and HK$126.6 million in 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively, while our effective tax rates were 23.9%, 21.1%, 26.8%, 33.7% and 29.5%, respectively. Please refer to Note 10 to the section headed "Appendix I – Accountant's Report" for further information. During the Track Record Period and as at the Latest Practicable Date, we did not have any material dispute or unresolved issues with the relevant tax authorities.

RESULTS OF OPERATIONS

Six months ended 30 June 2020 compared to six months ended 30 June 2019

Revenue

Our revenue decreased by HK$284.5 million, or 10.5%, from HK$2,720.4 million for the six months ended 30 June 2019 to HK$2,435.9 million for the six months ended 30 June 2020. In RMB terms, revenue decreased by RMB185.0 million, or 7.7%, from RMB2,388.3 million for the six months ended 30 June 2019 to RMB2,203.3 million for the six months ended 30 June 2020. This decrease was primarily due to a decrease in revenue from our fabric care products, which was partially offset by increases in revenue from our personal hygiene products and home care products. Both of the increases and the decrease were attributable to the impact of the COVID-19 outbreak. While the COVID-19 outbreak weakened the consumers' demand for fabric care products as consumers temporarily reduced outdoor activities due to social distancing during the COVID-19 outbreak, it has increased consumers' awareness of personal hygiene, resulting in significant growth in our revenue from the sales of our personal hygiene products and home care products in the first six months of 2020. Please refer to the section headed "Business – Impact of the COVID-19 Outbreak on Our Business" for further details.

By product category

Fabric care products

Revenue from our fabric care products decreased by HK$683.0 million, or 28.9%, from HK$2,364.4 million for the six months ended 30 June 2019 to HK$1,681.4 million for the six months ended 30 June 2020. In RMB terms, revenue decreased by RMB554.8 million, or 26.7%, from RMB2,075.7 million for the six months ended 30 June 2019 to RMB1,520.9 million for the six months ended 30 June 2020. The sales volume of our fabric care products decreased from 198.7 million kg for the six months ended 30 June 2019 to 167.1 million kg for the six months ended 30 June 2020, primarily due to the impact of the COVID-19 outbreak that reduced consumers' demand for fabric care products as they temporarily reduced outdoor activities due to social distancing during the COVID-19 outbreak. In RMB terms, the average selling prices of our fabric care products decreased from RMB10.5 per kg for the six months ended 30 June 2019 to RMB9.1 per kg for the six months ended 30 June 2020, primarily due to the COVID-19 outbreak, which (i) resulted in more discounts on our fabric care products due to weaker consumers' demand for fabric care products in general as consumers temporarily reduced outdoor activities due to social distancing during the COVID-19 outbreak, (ii) had a more severe impact on our Supreme branded concentrated liquid laundry detergents which had a higher average selling price. Because of government restrictions and less customer traffic in offline channels as a result of, the COVID-19 outbreak, we were unable to deploy our sales personnel to offline hypermarkets to help consumers to better understand the value of such products, and (iii) resulted in returns of fabric care products of approximately HK$149.8 million, of which HK$54.1 million were offset against sales of fabric care products for the six months ended 30 June 2020 without a corresponding decrease in the sales volume as these products have not yet been received as at 30 June 2020. The average selling price of fabric care products for the six months ended 30 June 2020 would have been RMB9.4 per kg without the impact of the HK$54.1 million offset.

- *Blue Moon Deep Clean Care Liquid Laundry Detergent series*: revenue from Blue Moon Deep Clean Care Liquid Laundry Detergent series decreased by HK$496.7 million, or 30.7%, from HK$1,619.9 million in the six months ended 30 June 2019 to HK$1,123.2 million in the six months ended 30 June 2020. In RMB terms, revenue decreased by RMB406.3 million, or 28.6%, from RMB1,422.2 million in the six months ended 30 June 2019 to RMB1,015.9 million in the six months ended 30 June 2020. The sales volume of Blue Moon Deep Clean Care Liquid Laundry Detergent series decreased from 147.9 million kg for the six months ended 30 June 2019 to 106.5 million kg for the six months ended 30 June 2020, primarily due to weaker consumers' demand for fabric care products in general as consumers temporarily reduced outdoor activities due to social distancing during the COVID-19 outbreak. In RMB terms, the average selling prices of Blue Moon Deep Clean Care Liquid Laundry Detergent series remained generally stable at RMB9.5 per kg for the six months ended 30 June 2020 as compared to RMB9.6 per kg for the six months ended 30 June 2019.

- *Pre-wash and hand-wash liquid laundry detergent series*: revenue from pre-wash and hand-wash liquid laundry detergent series decreased by HK$31.7 million, or 27.3%, from HK$115.8 million in the six months ended 30 June 2019 to HK$84.1 million in the six months ended 30 June 2020. In RMB terms, revenue decreased by RMB25.6 million, or 25.1%, from RMB101.7 million in the six months ended 30 June 2019 to RMB76.1 million in the six months ended 30 June 2020. The sales volume of pre-wash and hand-wash liquid laundry detergent series decreased from 8.7 million kg for the six months ended 30 June 2019 to 6.2 million kg for the six months ended 30 June 2020, primarily due to weaker consumers' demand for such products as consumers temporarily reduced outdoor activities due to social distancing during the COVID-19 outbreak. In RMB terms, the average selling prices of pre-wash and hand-wash liquid laundry detergent series remained relatively stable at RMB12.3 per kg for the six months ended 30 June 2020 as compared to RMB11.7 per kg for the six months ended 30 June 2019.

- *Laundry aids*: revenue from laundry aids increased by HK$33.6 million, or 21.0%, from HK$159.8 million in the six months ended 30 June 2019 to HK$193.4 million in the six months ended 30 June 2020. In RMB terms, revenue increased by RMB34.6 million, or 24.6%, from RMB140.3 million in the six months ended 30 June 2019 to RMB174.9 million in the six months ended 30 June 2020. The sales volume of laundry aids increased from 14.2 million kg for the six months ended 30 June 2019 to 16.7 million kg for the six months ended 30 June 2020, primarily due to the increased sales of disinfectant sanitiser for clothing because of the COVID-19 outbreak. In RMB terms, the average selling prices of laundry aids remained relatively stable at RMB10.4 per kg for the six months ended 30 June 2020 as compared to RMB9.9 per kg for the six months ended 30 June 2019.

Personal hygiene products

Revenue from our personal hygiene products increased by HK$285.5 million, or 158.5%, from HK$180.1 million for the six months ended 30 June 2019 to HK$465.6 million for the six months ended 30 June 2020. In RMB terms, revenue increased by RMB263.0 million, or 133.9%, from RMB158.1 million for the six months ended 30 June 2019 to RMB421.1 million for the six months ended 30 June 2020. The sales volume of our personal hygiene products increased from 13.6 million kg for the six months ended 30 June 2019 to 32.5 million kg for the six months ended 30 June 2020, primarily due to the impact of the COVID-19 outbreak that increased consumers' awareness of personal hygiene, which led to an increase in the demand for personal hygiene products, especially our antibacterial liquid soap. In RMB terms, the average selling prices of our personal hygiene products increased from RMB11.7 per kg for the six months ended 30 June 2019 to RMB13.0 per kg for the six months ended 30 June 2020, primarily due to reduced sales discount provided to consumers as demand for the products was very high because of the COVID-19 outbreak.

- *Antibacterial Liquid Soap Series*: revenue from antibacterial liquid soap series increased by HK$259.5 million, or 177.5%, from HK$146.2 million in the six months ended 30 June 2019 to HK$405.7 million in the six months ended 30 June 2020. In RMB terms, revenue increased by RMB238.6 million, or 185.9%, from RMB128.3 million in the six months ended 30 June 2019 to RMB367.0 million in the six months ended 30 June 2020. The sales volume of antibacterial liquid soap series increased from 10.6 million kg for the six months ended 30 June 2019 to 27.7 million kg for the six months ended 30 June 2020, primarily due to the impact of the COVID-19 outbreak that increased consumers' awareness of personal hygiene, which led to an increase in the demand for our antibacterial liquid soap. In RMB terms, the average selling prices of antibacterial liquid soap series increased from RMB12.1 per kg for the six months ended 30 June 2019 to RMB13.3 per kg for the six months ended 30 June 2020, primarily due to reduced sales discount provided to consumers as demand for the products was very high because of the COVID-19 outbreak.

Home care products

Revenue from our home care products increased by HK$113.0 million, or 64.2%, from HK$175.9 million for the six months ended 30 June 2019 to HK$288.9 million for the six months ended 30 June 2020. In RMB terms, revenue increased by RMB106.8 million, or 69.1%, from RMB154.5 million for the six months ended 30 June 2019 to RMB261.3 million for the six months ended 30 June 2020. The sales volume of our home care products increased from 13.1 million kg for the six months ended 30 June 2019 to 23.0 million kg for the six months ended 30 June 2020, primarily due to the impact of that increased consumers' awareness of personal hygiene, which led to an increase in the demand for home care products such as disinfectants. In RMB terms, the average selling prices of our home care products decreased from RMB11.8 per kg for the six months ended 30 June 2019 to RMB11.3 per kg for the six months ended 30 June 2020, primarily due to a change in product mix as we sold a lot more disinfectant liquid in the first half of 2020, which has a relatively lower average selling price than other home care products.

- *Kitchen Cleaner Series*: revenue from kitchen cleaner series decreased by HK$0.6 million, or 1.7%, from HK$34.3 million in the six months ended 30 June 2019 to HK$33.7 million in the six months ended 30 June 2020. In RMB terms, revenue increased by RMB0.4 million, or 1.3%, from RMB30.1 million in the six months ended 30 June 2019 to RMB30.5 million in the six months ended 30 June 2020. The sales volume of kitchen cleaner series decreased from 2.1 million kg for the six months ended 30 June 2019 to 1.8 million kg for the six months ended 30 June 2020, primarily due to a decrease in sales through offline channel of the impact of the COVID-19 outbreak. In RMB terms, the average selling prices of kitchen cleaner series increased from RMB14.6 per kg for the six months ended 30 June 2019 to RMB16.6 per kg for the six months ended 30 June 2020, primarily due to the introduction of our new product, Foam Kitchen Cleaner, which has a relatively higher average selling price than other products in the series.

- *Natural Tea Concentrated Dishwash Series*: revenue from natural tea concentrated dishwash series increased by HK$2.5 million, or 8.5%, from HK$28.9 million in the six months ended 30 June 2019 to HK$31.3 million in the six months ended 30 June 2020. In RMB terms, revenue increased by RMB3.0 million, or 11.8%, from RMB25.3 million in the six months ended 30 June 2019 to RMB28.3 million in the six months ended 30 June 2020. The sales volume of natural tea concentrated dishwash series increased from 2.2 million kg for the six months ended 30 June 2019 to 2.4 million kg for the six months ended 30 June 2020, primarily because the sales of our natural tea concentrated dishwash series relied less on offline channels and thus were less affected by the COVID-19 outbreak. In RMB terms, the average selling price of natural tea concentrated dishwash series remained generally stable at RMB11.6 per kg for the six months ended 30 June 2020 as compared to RMB11.5 per kg for the six months ended 30 June 2019.

- *Volo Cleaner Series*: revenue from Volo cleaner series increased by HK$0.2 million, or 0.8%, from HK$22.8 million in the six months ended 30 June 2019 to HK$23.0 million in the six months ended 30 June 2020. In RMB terms, revenue increased by RMB0.8 million, or 3.8%, from RMB20.0 million in the six months ended 30 June 2019 to RMB20.8 million in the six months ended 30 June 2020. The sales volume of Volo cleaner series remained at 1.6 million kg for the six months ended 30 June 2020, which is the same level as that for the six months ended 30 June 2019. In RMB terms, the average selling price of Volo cleaner series increased from RMB12.2 per kg for the six months ended 30 June 2019 to RMB13.2 per kg for the six months ended 30 June 2020, primarily due to reduced sales discount offered to consumers as our Volo cleaner series gained popularity among consumers.

By channel

Online channels

Revenue from our online channels decreased by HK$130.1 million, or 8.3%, from HK$1,561.7 million for the six months ended 30 June 2019 to HK$1,431.6 million for the six months ended 30 June 2020, primarily due to the impact of the COVID-19 outbreak. While the COVID-19 outbreak has adversely affected the sales of our fabric care products in the online channels due to weaker consumers' demand for fabric care products in general as consumers temporarily reduced outdoor activities due to social distancing during the COVID-19 outbreak, it has also resulted in a significant increase in the demand for disinfectant products, resulting in significant growth in the sales of our personal hygiene products and home care products in the online channels in the first six months of 2020, partially offsetting the negative impact of the COVID-19 outbreak on our fabric care products.

Direct sales to key account clients

Revenue from direct sales to our key account clients decreased by HK$114.6 million, or 37.9%, from HK$302.3 million for the six months ended 30 June 2019 to HK$187.7 million for the six months ended 30 June 2020, primarily due to the COVID-19 outbreak, which (i) adversely affected the sales of our fabric care products in the hypermarkets as (x) the consumers' demand for fabric care products was weakened in general as they temporarily reduced outdoor activities due to social distancing during the COVID-19 outbreak, and (y) we were unable to deploy our sales personnel to offline hypermarkets to help consumers to better understand the value of our products, and (ii) resulted in returns of fabric care products of approximately HK$83.0 million from the hypermarkets for the six months ended 30 June 2020.

Offline distributors

Revenue from offline distributors decreased by HK$39.7 million, or 4.6%, from HK$856.3 million for the six months ended 30 June 2019 to HK$816.6 million for the six months ended 30 June 2020, primarily due to the impact of the COVID-19 outbreak. While the COVID-19 outbreak has (i) adversely affected the sales of our fabric care products to the offline distributors due to weaker consumers' demand for fabric care products in general as they temporarily reduced outdoor activities due to social distancing during the COVID-19 outbreak, and (ii) resulted in returns of fabric care products of approximately HK$66.8 million from the offline distributors for the six months ended 30 June 2020, it has also resulted in a significant increase in the demand for disinfectant products, resulting in significant growth in the sales of our personal hygiene products and home care products to the offline distributors in the first six months of 2020, partially offsetting the negative impact of the COVID-19 outbreak on our fabric care products.

Cost of sales

Our cost of sales decreased by HK$171.3 million, or 16.3% from HK$1,048.6 million for the six months ended 30 June 2019 to HK$877.3 million for the six months ended 30 June 2020, primarily due to a decrease in changes in inventories of finished goods and work in progress, generally in line with the decrease in sales in the six months ended 30 June 2020.

Gross profit and gross profit margin

Our gross profit decreased by HK$113.1 million, or 6.8%, from HK$1,671.7 million for the six months ended 30 June 2019 to approximately HK$1,558.6 million for the six months ended 30 June 2020. In RMB terms, our gross profit decreased by RMB57.8 million, or 3.9%, from RMB1,467.6 million for the six months ended 30 June 2019 to RMB1,409.8 million for the six months ended 30 June 2020. Our overall gross profit margin increased from 61.5% for the six months ended 30 June 2019 to 64.0% for the six months ended 30 June 2020, primarily due to the increased sales of disinfectant products, which had a relatively higher profit margin than other products.

By product category

Fabric care products

Our gross profit from sales of fabric care products decreased by HK$412.7 million, or 28.6%, from HK$1,444.7 million for the six months ended 30 June 2019 to HK$1,032.0 million for the six months ended

30 June 2020 and our gross profit margin from sales of fabric care products remained relatively stable at 61.1% for the six months ended 30 June 2019 and 61.4% for the six months ended 30 June 2020.

- *Blue Moon Deep Clean Care Liquid Laundry Detergent Series*: our gross profit from the sales of Blue Moon Deep Clean Care Liquid Laundry Detergent decreased by HK$278.3 million, or 28.4%, from HK$980.7 million in the six months ended 30 June 2019 to HK$702.4 million in the six months ended 30 June 2020 and our gross profit margin from the sales of such products increased from 60.5% in the six months ended 30 June 2019 to 62.5% in the six months ended 30 June 2020.

- *Pre-wash and hand-wash liquid laundry detergent series*: our gross profit from the sales of pre-wash and hand-wash liquid laundry detergent series decreased by HK$17.2 million, or 23.8%, from HK$72.4 million in the six months ended 30 June 2019 to HK$55.2 million in the six months ended 30 June 2020 and our gross profit margin from the sales of such products increased from 62.6% in the six months ended 30 June 2019 to 65.6% in the six months ended 30 June 2020, primarily due to a decrease in the unit cost of palm-oil-based chemicals and LDPE supplied to us in the six months ended 30 June 2020.

- *Laundry aids*: our gross profit from the sales of laundry aids increased by HK$23.3 million, or 22.8%, from HK$102.2 million in the six months ended 30 June 2019 to HK$125.5 million in the six months ended 30 June 2020 and our gross profit margin from the sales of such products remained relatively stable at 64.9% in the six months ended 30 June 2020 as compared to 63.9% in the six months ended 30 June 2019.

Personal hygiene products

Our gross profit from sales of personal hygiene products increased by HK$199.6 million, or 169.3%, from HK$117.9 million for the six months ended 30 June 2019 to HK$317.5 million for the six months ended 30 June 2020 and our gross profit margin from sales of personal hygiene products increased from 65.5% for the six months ended 30 June 2019 to 68.2% for the six months ended 30 June 2020, primarily due to reduced sales discount provided to consumers as demand for the products was very high because of the COVID-19 outbreak.

- *Antibacterial Liquid Soap Series*: our gross profit from the sales of antibacterial liquid soap series increased by HK$180.0 million, or 187.8%, from HK$95.8 million in the six months ended 30 June 2019 to HK$275.8 million in the six months ended 30 June 2020 and our gross profit margin from the sales of such products increased from 65.6% for the six months ended 30 June 2019 to 68.0% for the six months ended 30 June 2020, primarily due to reduced sales discounts provided to customers as demand for such products was very high because of the COVID-19 outbreak.

Home care products

Our gross profit from sales of home care products increased by HK$99.9 million, or 91.5%, from HK$109.2 million for the six months ended 30 June 2019 to HK$209.1 million for the six months ended 30 June 2020 and our gross profit margin from sales of home care products increased from 62.0% for the six months ended 30 June 2019 to 72.4% for the six months ended 30 June 2020, primarily due to the increased sales of disinfectant liquids, which had a relatively higher profit margin than other home care products.

- *Kitchen Cleaner Series*: our gross profit from the sales of kitchen cleaner series increased by HK$2.4 million, or 11.1%, from HK$21.0 million in the six months ended 30 June 2019 to HK$23.4 million in the six months ended 30 June 2020 and our gross profit margin from the sales of such products increased from 61.3% for the six months ended 30 June 2019 to 69.3% for the six months ended 30 June 2020, primarily due to (i) the introduction of our new product, Foam Kitchen Cleaner, which has a relatively higher gross profit margin than the other products in the series, and (ii) a decrease in the unit cost of palm oil-based chemicals and LDPE supplied to us in the six months ended 30 June 2020.

- *Natural Tea Concentrated Dishwash Series*: our gross profit from the sales of natural tea concentrated dishwash series increased by HK$2.1 million, or 11.9%, from HK$17.9 million in the six months ended 30 June 2019 to HK$20.0 million in the six months ended 30 June 2020 and our gross profit margin from the sales of such products increased from 62.1% for the six months ended 30 June 2019 to 64.0% for the six months ended 30 June 2020, primarily due to a decrease in the unit cost of palm oil-based chemicals and LDPE supplied to us in the six months ended 30 June 2020.

- *Volo Cleaner Series*: our gross profit from the sales of Volo cleaner series increased by HK$3.4 million, or 30.1%, from HK$11.1 million in the six months ended 30 June 2019 to HK$14.5 million in the six months ended 30 June 2020 and our gross profit margin from the sales of such products increased from 48.7% for the six months ended 30 June 2019 to 62.8% for the six months ended 30 June 2020, primarily due to an increase in the average selling price as we reduced the sales discounts offered on Volo cleaner series and a decrease in the unit cost of palm oil-based chemicals and LDPE supplied to us in the six months ended 30 June 2020.

Other income and other gains, net

Our other income/gains, net increased by HK$5.1 million, or 14.7%, from HK$34.7 million for the six months ended 30 June 2019 to HK$39.8 million for the six months ended 30 June 2020, primarily due to an increase of HK$7.2 million in government grants mainly related to government grants to offset the impact of the COVID-19 outbreak.

Selling and distribution expenses

Our selling and distribution expenses decreased by HK$214.3 million, or 20.8%, from HK$1,030.7 million for the six months ended 30 June 2019 to HK$816.4 million for the six months ended 30 June 2020, primarily due to a decrease in employee benefit expenses as we (i) temporarily streamlined our offline sales force due to less customer traffic in offline channels as a result of the COVID-19 outbreak; after the COVID-19 outbreak, we will continue to strengthen our offline sales force to support our offline sales activities, and (ii) benefited from government subsidies in response to the COVID-19 outbreak that reduced our employee social insurance expenses.

General and administrative expenses

General and administrative expenses increased by HK$17.3 million, or 5.3%, from HK$328.9 million for the six months ended 30 June 2019 to HK$346.2 million for the six months ended 30 June 2020, primarily due to listing expenses incurred in the six months ended 30 June 2020.

Net impairment loss of financial assets

We incurred a net provision for impairment loss of financial assets of HK$6.5 million for the six months ended 30 June 2020, compared to a net reversal of impairment loss of financial assets of HK$0.2 million for the six months ended 30 June 2019, mainly related to trade and bills receivables due from certain customers.

Operating profit

As a result of the foregoing, our operating profit increased by HK$82.4 million, or 23.7%, from HK$347.0 million for the six months ended 30 June 2019 to HK$429.4 million for the six months ended 30 June 2020.

Finance costs, net

Our finance costs, net decreased by HK$17.6 million, or 96.7%, from HK$18.2 million for the six months ended 30 June 2019 to HK$0.6 million for the six months ended 30 June 2020, primarily due to a decrease in interest expenses on bank borrowings as a result of less bank borrowings and lower effective interest rate in the six months ended 30 June 2020.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by HK$100.0 million, or 30.4%, from HK$328.8 million for the six months ended 30 June 2019 to HK$428.8 million for the six months ended 30 June 2020.

Income tax expense

Our income tax expenses increased by HK$15.8 million, or 14.3%, from HK$110.8 million for the six months ended 30 June 2019 to HK$126.6 million for the six months ended 30 June 2020. Our effective tax rate decreased from 33.7% for the six months ended 30 June 2019 to 29.5% for the six months ended 30 June 2020, primarily due to additional deferred tax assets being recognised for the provision of sales return.

Profit for the period

As a result of the foregoing, our profit increased by HK$84.2 million, or 38.6%, from HK$218.0 million for the six months ended 30 June 2019 to HK$302.2 million for the six months ended 30 June 2020.

2019 compared to 2018

Revenue

Our revenue increased by HK$282.0 million, or 4.2%, from HK$6,767.9 million in 2018 to HK$7,049.9 million in 2019. In RMB terms, revenue increased by RMB451.5 million, or 7.8%, from RMB5,794.0 million in

2018 to RMB6,245.5 million in 2019. This increase was primarily due to (i) the successful marketing and promotional efforts that contributed to the increase in sales of our fabric care products and (ii) the increased sales through online channels as we increased the number of e-commerce platforms we cooperated with from 55 as at 31 December 2018 to 82 as at 31 December 2019, and strengthened cooperation with various e-commerce platforms as we advertised more frequently and held more promotional activities on these platforms in 2019.

By product category

Fabric care products

Revenue from our fabric care products increased by HK$260.3 million, or 4.4%, from HK$5,917.3 million in 2018 to HK$6,177.6 million in 2019. In RMB terms, revenue increased by RMB407.0 million, or 8.0%, from RMB5,065.7 million in 2018 to RMB5,472.7 million in 2019. The sales volume of our fabric care products increased from 464.0 million kg in 2018 to 508.7 million kg in 2019, primarily due to (i) an increase in the sales of our liquid laundry detergents in 2019, mainly as a result of our continued marketing and promotional efforts, especially our knowledge-based marketing, and (ii) an increase in the sales of our fabric softeners in 2019, mainly as a result of increased fabric care awareness of consumers in China as the living standards improved. The increase in our sales also reflected increased popularity of multi-item combo packs sold through our online channels. In RMB terms, the average selling prices of our fabric care products remained relatively stable at RMB10.8 per kg in 2019 compared to RMB10.9 per kg in 2018.

- *Blue Moon Deep Clean Care Liquid Laundry Detergent series*: revenue from Blue Moon Deep Clean Care Liquid Laundry Detergent series increased by HK$259.0 million, or 6.8%, from HK$3,801.2 million in 2018 to HK$4,060.2 million in 2019. In RMB terms, revenue increased by RMB342.9 million, or 10.5%, from RMB3,254.0 million in 2018 to RMB3,596.9 million in 2019. The sales volume of Blue Moon Deep Clean Care Liquid Laundry Detergent series increased from 341.7 million kg for 2018 to 365.7 million kg for 2019, primarily due to our continued marketing and promotional efforts, especially our knowledge-based marketing. In RMB terms, the average selling prices of Blue Moon Deep Clean Care Liquid Laundry Detergent series increased from RMB9.5 per kg for 2018 to RMB9.8 per kg for 2019, primarily due to reduced sales discount provided to customers as our Blue Moon Deep Clean Care Liquid Detergent series became more popular as a result of our continued marketing and promotional efforts, especially our knowledge-based marketing, in 2019.

- *Pre-wash and hand-wash liquid laundry detergent series*: revenue from pre-wash and hand-wash liquid laundry detergent series remained relatively stable at HK$326.1 million in 2019 as compared to HK$333.9 million in 2018. In RMB terms, revenue remained relatively stable at RMB288.9 million in 2019 as compared to RMB285.9 million in 2018. The sales volume of pre-wash and hand-wash liquid laundry detergent series remained relatively stable at 23.4 million kg in 2019 as compared to 23.5 million kg in 2018. In RMB terms, the average selling prices of pre-wash and hand-wash liquid laundry detergent series remained relatively stable at RMB12.4 per kg for 2019 as compared to RMB12.2 per kg for 2018.

- *Laundry aids*: revenue from laundry aids remained relatively stable at HK$365.1 million in 2019 as compared to HK$360.2 million in 2018. In RMB terms, revenue from laundry aids remained relatively stable at RMB323.5 million in 2019 as compared to RMB308.4 million in 2018. The sales volume of laundry aids increased from 29.7 million kg for 2018 to 32.1 million kg for 2019, primarily due to (i) the continued marketing and promotional efforts that contributed to the increase in sales of our laundry aids, and (ii) increased fabric care awareness of consumers in China as the living standards improved. In RMB terms, the average selling prices of laundry aids remained relatively stable at RMB10.1 per kg in 2019 as compared to RMB10.4 per kg in 2018.

Personal hygiene products

Revenue from our personal hygiene products increased by HK$7.9 million, or 1.9%, from HK$410.6 million in 2018 to HK$418.5 million in 2019. In RMB terms, revenue increased by RMB19.3 million, or 5.5%, from RMB351.5 million in 2018 to RMB370.8 million in 2019. The sales volume of our personal hygiene products increased from 30.3 million kg in 2018 to 32.4 million kg in 2019, primarily due to an increase in sales of liquid soap, mainly as a result of (i) the successful marketing and promotional efforts that enhanced our brand recognition, and (ii) our successful cross-selling strategy online. We promoted our personal hygiene products as add-ons so that the consumers may qualify for additional benefits (such as additional discounts and complimentary product delivery), which promoted the sales of our personal hygiene products. In RMB terms, the average selling prices of our personal hygiene products remained relatively stable at RMB11.4 per kg in 2019 compared to RMB11.6 per kg in 2018.

- *Antibacterial Liquid Soap Series*: revenue from antibacterial liquid soap series increased by HK$8.5 million, or 2.6%, from HK$330.9 million in 2018 to HK$339.4 million in 2019. In RMB terms, revenue increased by RMB17.4 million, or 6.1%, from RMB283.3 million in 2018 to RMB300.6 million in 2019. The sales volume of antibacterial liquid soap series increased from 24.0 million kg for 2018 to 25.3 million kg for 2019, mainly as a result of (i) the successful marketing and promotional efforts that enhanced our brand recognition, and (ii) our successful cross-selling strategy online. In RMB terms, the average selling prices of antibacterial liquid soap series remained generally stable at RMB11.9 per kg for 2019 as compared to RMB11.8 per kg for 2018.

Home care products

Revenue from our home care products increased by HK$13.6 million, or 3.1%, from HK$440.1 million in 2018 to HK$453.7 million in 2019. In RMB terms, revenue increased by RMB25.3 million, or 6.7%, from RMB376.7 million in 2018 to RMB402.0 million in 2019. The sales volume of our home care products increased from 30.3 million kg in 2018 to 32.8 million kg in 2019, mainly as a result of (i) the successful marketing and promotional efforts that enhanced our brand recognition, (ii) our successful cross-selling strategy online. We promoted our home care products as add-ons so that the consumers may qualify for additional benefits (such as additional discounts and complimentary product delivery), which promoted the sales of our home care products, and (iii) sales generated by our new product, Foam Kitchen Cleaner. In RMB terms, average selling prices of our home care products remained relatively stable at RMB12.2 per kg in 2019 compared to RMB12.4 per kg in 2018.

- *Kitchen Cleaner Series*: revenue from kitchen cleaner series increased by HK$9.4 million, or 10.1%, from HK$93.0 million in 2018 to HK$102.4 million in 2019. In RMB terms, revenue increased by RMB11.1 million, or 13.9%, from RMB79.6 million in 2018 to RMB90.7 million in 2019. The sales volume of kitchen cleaner series increased from 5.2 million kg for 2018 to

5.4 million kg for 2019, primarily due to additional sales generated by our new product, Foam Kitchen Cleaner. In RMB terms, the average selling price of kitchen cleaner series increased from RMB15.4 per kg for 2018 to RMB16.9 per kg for 2019, primarily due to the introduction of our new product, Foam Kitchen Cleaner, which has a relatively higher average selling prices than other products in the series.

- *Natural Tea Concentrated Dishwash Series*: revenue from natural tea concentrated dishwash series decreased by HK$6.9 million, or 8.7%, from HK$78.8 million in 2018 to HK$71.9 million in 2019. In RMB terms, revenue decreased by RMB3.7 million, or 5.5%, from RMB67.4 million in 2018 to RMB63.7 million in 2019. The sales volume of natural tea concentrated dishwash series remained generally stable at 5.8 million kg in 2019 as compared to 6.1 million kg in 2018. In RMB terms, the average selling price of natural tea concentrated dishwash series remained generally stable at RMB11.0 per kg for 2019 as compared to RMB11.1 per kg for 2018.

- *Volo Cleaner Series*: revenue from Volo cleaner series decreased by HK$4.0 million, or 6.3%, from HK$63.7 million in 2018 to HK$59.7 million in 2019. In RMB terms, revenue decreased by RMB1.6 million, or 3.0%, from RMB 54.5 million in 2018 to RMB52.9 million in 2019. The sales volume of Volo cleaner series remained generally stable at 4.3 million kg for 2019 as compared to 4.3 million kg for 2018. In RMB terms, the average selling price of Volo cleaner series remained generally stable at RMB12.3 per kg in 2019 as compared to RMB12.6 per kg in 2018.

By channel

Online channels

Revenue from our online channels increased by HK$610.0 million, or 22.4%, from HK$2,718.2 million in 2018 to HK$3,328.2 million in 2019. The increase was primarily due to (i) an increase in the number of e-commerce platforms we cooperated with from 55 as at 31 December 2018 to 82 as at 31 December 2019, (ii) our strengthened cooperation with various popular e-commerce platforms as we advertised more frequently and held more promotional activities on these platforms, especially around major online shopping holidays such as the 618 Shopping Festival on 18 June and Singles' Day on 11 November, as well as our "Super Brand Day" on 16 April, (iii) increased sales of multi-item combo packs through our online channels, and (iv) our successful cross-selling strategy that promoted the sales of our personal hygiene products and home care products as described above.

Direct sales to key account clients

Revenue from direct sales to our key account clients increased by HK$176.4 million, or 21.5%, from HK$820.2 million in 2018 to HK$996.6 million in 2019, primarily because we began to cooperate with new key account clients in 2019 and December 2018.

Offline distributors

Revenue from offline distributors decreased by HK$504.4 million, or 15.6%, from HK$3,229.6 million in 2018 to HK$2,725.2 million in 2019, primarily due to our efforts to optimise our offline distributor network since the second half of 2018. Please refer to the section headed "Business – Sales and Distribution Network" for details.

Cost of sales

Our cost of sales decreased by HK$354.7 million, or 12.3%, from HK$2,881.6 million in 2018 to HK$2,526.9 million in 2019. The decrease in cost of sales was primarily due to a decrease in the costs of raw material consumed from HK$2,611.2 million to HK$2,059.5 million, mainly as a result of decreases in costs of palm oil-based chemicals and LDPE supplied to us in 2019, as well as our successful effort in (i) improving inventory and procurement management by refining our sales forecast to optimise our inventory levels based on (a) our insight into consumer behaviour based on the direct online transactions with the end customers, and (b) our proprietary CRM system that captures our distributors' inventory data and (ii) improving our production efficiency by standardising our ingredient management and ingredient addition procedure with the help of our self-developed Ingredient Management System.

Gross profit and gross profit margin

Our gross profit increased by HK$636.7 million, or 16.4%, from HK$3,886.3 million in 2018 to approximately HK$4,523.0 million in 2019. In RMB terms, our gross profit increased by RMB679.9 million, or 20.4%, from RMB3,327.0 million in 2018 to RMB4,006.9 million in 2019. Our overall gross profit margin increased from 57.4% in 2018 to 64.2% in 2019, primarily due to (i) a decrease in our cost of sales mainly as a result of the reasons described above, and (ii) to a lesser extent, an increase in sales of products with relatively high gross profit margins as part of our strategy to optimise our product mix.

By product category

Fabric care products

Our gross profit from sales of fabric care products increased by HK$602.1 million, or 18.0%, from HK$3,346.7 million in 2018 to HK$3,948.8 million in 2019 and our gross profit margin from sales of fabric care products increased from 56.6% in 2018 to 63.9% in 2019, primarily due to (i) a decrease in the costs of sales mainly as a result of the reasons described above, and (ii) to a lesser extent, an increase in sales of certain fabric care products with relatively high gross profit margins as part of our strategy to optimise our product mix.

- *Blue Moon Deep Clean Care Liquid Laundry Detergent Series*: our gross profit from the sales of Blue Moon Deep Clean Care Liquid Laundry Detergent increased by HK$360.1 million, or 16.1%, from HK$2,239.9 million in 2018 to HK$2,600.0 million in 2019 and our gross profit margin from the sales of such products increased from 58.9% in 2018 to 64.0% in 2019, primarily due to a decrease in the unit cost of palm oil-based chemicals and LDPE supplied to us in 2019.

- *Pre-wash and hand-wash liquid laundry detergent series*: our gross profit from the sales of pre-wash and hand-wash liquid laundry detergent series increased by HK$15.9 million, or 8.0%, from HK$198.6 million in 2018 to HK$214.5 million in 2019 and our gross profit margin from the sales of such products increased from 59.5% in 2018 to 65.8% in 2019, primarily due to a decrease in the unit cost of palm oil-based chemicals and LDPE supplied to us in 2019.

- *Laundry aids*: our gross profit from the sales of laundry aids increased by HK$10.1 million, or 4.3%, from HK$233.6 million in 2018 to HK$243.6 million in 2019 and our gross profit margin from the sales of such products increased from 64.8% in 2018 to 66.7% in 2019, primarily due to a decrease in the unit cost of palm oil-based chemicals and LDPE supplied to us in 2019.

Personal hygiene products

Our gross profit from sales of personal hygiene products increased by HK$8.1 million, or 3.1%, from HK$263.9 million in 2018 to HK$272.0 million in 2019 and our gross profit margin from sales of personal hygiene products increased from 64.3% in 2018 to 65.0% in 2019, primarily due to (i) a decrease in our cost of sales mainly as a result of the reasons described above, and (ii) an increase in sales of certain personal hygiene products with relatively high profit margin, as part of our strategy to optimise our product mix.

- *Antibacterial Liquid Soap Series*: our gross profit from the sales of antibacterial liquid soap series increased by HK$8.2 million, or 3.9%, from HK$211.5 million in 2018 to HK$219.7 million in 2019 and our gross profit margin from the sales of such products remained generally stable at 64.7% in 2019 as compared to 63.9% in 2018.

Home care products

Our gross profit from sales of home care products increased by HK$26.6 million, or 9.6%, from HK$275.7 million in 2018 to HK$302.3 million in 2019 and our gross profit margin from sales of home care products increased from 62.7% in 2018 to 66.6% in 2019, primarily due to (i) a decrease in our cost of sales mainly as a result of the reasons described above and (ii) an introduction of certain new home care products with higher profit margins.

- *Kitchen Cleaner Series*: our gross profit from the sales of kitchen cleaner series increased by HK$13.2 million, or 22.4%, from HK$58.9 million in 2018 to HK$72.1 million in 2019 and our gross profit margin from the sales of such products increased from 63.3% in 2018 to 70.4% in 2019, primarily due to (i) the introduction of our new product, Foam Kitchen Cleaner, which had a relatively higher gross profit margin than other products in the series, and (ii) a decrease in the unit cost of palm oil-based chemicals and LDPE supplied to us in 2019.

- *Natural Tea Concentrated Dishwash Series*: our gross profit from the sales of natural tea concentrated dishwash series decreased by HK$2.0 million, or 4.3%, from HK$46.5 million in 2018 to HK$44.5 million in 2019 and our gross profit margin from the sales of such products increased from 59.0% in 2018 to 61.8% in 2019, primarily due to a decrease in the unit cost of palm oil-based chemicals and LDPE supplied to us in 2019.

- *Volo Cleaner Series*: our gross profit from the sales of Volo cleaner series decreased by HK$0.7 million, or 2.0%, from HK$34.5 million in 2018 to HK$33.8 million in 2019 and our gross profit margin from the sales of such products increased from 54.1% in 2018 to 56.6% in 2019, primarily due to a decrease in the unit cost of palm oil-based chemicals and LDPE supplied to us in 2019.

Other income and other gains, net

Our other income and other gains, net increased by HK$14.1 million, or 37.7%, from HK$37.4 million in 2018 to HK$51.5 million in 2019, primarily due to (i) an increase of HK$4.6 million in government grants mainly related to subsidies granted by the local government authority to Blue Moon Industrial in recognition of its achievements and contribution to local economy, (ii) an increase of HK$4.9 million of scrap sales mainly related to unused raw materials, and (iii) an increase of HK$6.6 million in sundry income, partially offset by a decrease of HK$1.9 million in net foreign exchange gain.

Selling and distribution expenses

Our selling and distribution expenses decreased by HK$224.9 million, or 8.8%, from HK$2,548.0 million in 2018 to HK$2,323.1 million in 2019, primarily due to a decrease in employee benefit expenses as we changed the compensation structure of our sales personnel to be more performance driven, which incentivised our sales force while saving costs at the same time, partially offset by increased transportation expenses generally in line with the increase in our revenue.

General and administrative expenses

General and administrative expenses increased by HK$115.0 million, or 18.2%, from HK$632.8 million in 2018 to HK$747.8 million in 2019, primarily due to (i) an increase in employee benefit expenses as a result of an increase in bonuses awarded to administrative and management staff in recognition of our satisfactory business performance and (ii) an increase in maintenance expenses related to development of certain mobile apps and computer software.

Net impairment loss of financial assets

We incurred a net provision for impairment loss of financial assets of HK$1.9 million related to trade and bills receivables due from certain customers in 2019, compared to a net reversal of impairment loss of financial assets of HK$6.2 million related to trade and bills receivables due from certain customers in 2018.

Operating profit

As a result of the foregoing, our operating profit increased by HK$752.6 million, or 100.5%, from HK$749.2 million in 2018 to HK$1,501.8 million in 2019.

Finance costs, net

Our finance costs, net decreased by HK$20.7 million, or 43.9%, from HK$47.2 million in 2018 to HK$26.5 million in 2019, primarily due to a decrease in interest expenses on bank borrowings as a result of less bank borrowings and lower effective interest rate in 2019.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by HK$773.3 million, or 110.2%, from HK$701.9 million in 2018 to HK$1,475.2 million in 2019.

Income tax expense

Our income tax expense increased by HK$247.7 million, or 167.5%, from HK$147.9 million in 2018 to HK$395.6 million in 2019. Our effective tax rate increased from 21.1% in 2018 to 26.8% in 2019, primarily due to an increase in deferred tax expenses as a result of withholding tax on unremitted earnings.

Profit for the year

As a result of the foregoing, our profit for the year increased by HK$525.6 million, or 94.9%, from HK$554.0 million in 2018 to HK$1,079.6 million in 2019.

2018 compared to 2017

Revenue

Our revenue increased by HK$1,135.9 million, or 20.2%, from HK$5,632.0 million in 2017 to HK$6,767.9 million in 2018. In RMB terms, revenue increased by RMB914.4 million, or 18.7%, from RMB4,879.6 million in 2017 to RMB5,794.0 million in 2018. This increase was primarily due to (i) the successful marketing and promotional efforts that contributed to the increase in sales of our fabric care products and (ii) the increased sales through online channels as we increased the number of e-commerce platforms we cooperated with from 40 as at 31 December 2017 to 55 as at 31 December 2018, and strengthened cooperation with various e-commerce platforms as we advertised more frequently and held more promotional activities on these platforms in 2018.

By product category

Fabric care products

Revenue from our fabric care products increased by HK$994.8 million, or 20.2%, from HK$4,922.5 million in 2017 to HK$5,917.3 million in 2018. In RMB terms, revenue increased by RMB800.8 million, or 18.8%, from RMB4,264.9 million in 2017 to RMB5,065.7 million in 2018. The sales volume of our fabric care products increased from 401.3 million kg in 2017 to 464.0 million kg in 2018, primarily due to an increase in the sales of our liquid laundry detergent, mainly as a result of (i) our continued marketing and promotional efforts, especially our knowledge-based marketing, (ii) increased popularity of multi-item combo packs sold through our online channels, and (iii) an increase in the sales of our fabric softeners mainly as a result of increased fabric care awareness of consumers in China as the living standards improved. In RMB terms, the average selling prices of our fabric care products remained relatively stable at RMB10.9 per kg in 2018 compared to RMB10.6 per kg in 2017.

- *Blue Moon Deep Clean Care Liquid Laundry Detergent series*: revenue from Blue Moon Deep Clean Care Liquid Laundry Detergent series increased by HK$622.0 million, or 19.6%, from HK$3,179.2 million in 2017 to HK$3,801.2 million in 2018. In RMB terms, revenue increased by RMB499.5 million, or 18.1%, from RMB2,754.5 million in 2017 to RMB3,254.0 million in 2018. The sales volume of Blue Moon Deep Clean Care Liquid Laundry Detergent series increased from 299.2 million kg for 2017 to 341.7 million kg for 2018, primarily due to our continued marketing and promotional efforts, especially our knowledge-based marketing. In RMB terms, the average selling prices of Blue Moon Deep Clean Care Liquid Laundry Detergent remained generally stable at RMB9.5 per kg for 2018 as compared to RMB9.2 per kg for 2017.

- *Pre-wash and hand-wash liquid laundry detergent series*: revenue from pre-wash and hand-wash liquid laundry detergent series remained relatively stable at HK$333.9 million in 2018 as compared to HK$334.0 million in 2017. In RMB terms, revenue remained relatively stable at RMB285.9

million in 2018 as compared to RMB289.4 million in 2017. The sales volume of pre-wash and hand-wash liquid laundry detergent series remained relatively stable at 23.5 million kg in 2018 as compared to 23.3 million kg in 2017. In RMB terms, the average selling prices of pre-wash and hand-wash liquid laundry detergent series remained relatively stable at RMB12.2 per kg in 2018 as compared to RMB12.4 per kg in 2017.

- *Laundry aids*: revenue from laundry aids increased by HK$52.7 million, or 17.1%, from HK$307.5 million in 2017 to HK$360.2 million in 2018. In RMB terms, revenue increased by RMB42.0 million, or 15.8%, from RMB266.4 million in 2017 to RMB308.4 million in 2018. The sales volume of laundry aids increased from 24.7 million kg for 2017 to 29.7 million kg for 2018, primarily due to (i) the continued marketing and promotional efforts that contributed to the increase in sales of our laundry aids, and (ii) increased fabric care awareness of consumers in China as the living standards improved. In RMB terms, the average selling prices of laundry aids remained relatively stable at RMB10.4 per kg in 2018 as compared to RMB10.8 per kg in 2017.

Personal hygiene products

Revenue from our personal hygiene products increased by HK$82.6 million, or 25.2%, from HK$328.0 million in 2017 to HK$410.6 million in 2018. In RMB terms, revenue increased by RMB67.3 million, or 23.7%, from RMB284.2 million in 2017 to RMB351.5 million in 2018. The sales volume of our personal hygiene products increased from 24.1 million kg in 2017 to 30.3 million kg in 2018, primarily due to an increase in sales of liquid soap, mainly as a result of (i) the successful marketing and promotional efforts that enhanced our brand recognition, and (ii) our successful cross-selling strategy online. We promoted our personal hygiene products as add-ons so that the consumers may qualify for additional benefits (such as additional discounts and complimentary product delivery). In RMB terms, the average selling prices of our personal hygiene products remained relatively stable at RMB11.6 per kg in 2018 compared to RMB11.8 per kg in 2017.

- *Antibacterial Liquid Soap Series*: revenue from antibacterial liquid soap series increased by HK$94.8 million, or 40.2%, from HK$236.1 million in 2017 to HK$330.9 million in 2018. In RMB terms, revenue increased by RMB78.8 million, or 38.5%, from RMB204.5 million in 2017 to RMB283.3 million in 2018. The sales volume of antibacterial liquid soap series increased from 18.4 million kg for 2017 to 24.0 million kg for 2018, primarily due to (i) the successful marketing and promotional efforts that enhanced our brand recognition, and (ii) our successful cross-selling strategy online. In RMB terms, the average selling prices of antibacterial liquid soap series increased from RMB11.1 per kg for 2017 to RMB11.8 per kg for 2018, primarily due to reduced sales discount provided to customers as our antibacterial liquid soap series became more popular as a result of (i) the successful marketing and promotional efforts that enhanced our brand recognition, and (ii) our successful cross-selling strategy online.

Home care products

Revenue from our home care products increased by HK$58.5 million, or 15.3%, from HK$381.6 million in 2017 to HK$440.1 million in 2018. In RMB terms, revenue increased by RMB46.2 million, or 14.0%, from RMB330.6 million in 2017 to RMB376.8 million in 2018. The sales volume of our home care products increased from 25.1 million kg in 2017 to 30.3 million kg in 2018, primarily due to (i) the successful marketing and promotional efforts that enhanced our brand recognition, and (ii) our successful cross-selling strategy online. We promoted our home care products as add-ons so that the consumers may qualify for additional benefits (such as additional discounts and complimentary product delivery). In RMB terms, average selling prices of home care products slightly decreased from RMB13.2 per kg in 2017 to RMB12.4 per kg in 2018, primarily due to a decrease in the average selling prices of our kitchen cleaner series and natural tea concentrated dishwash series.

- *Kitchen Cleaner Series*: revenue from kitchen cleaner series increased by HK$10.4 million, or 12.7%, from HK$82.6 million in 2017 to HK$93.0 million in 2018. In RMB terms, revenue increased by RMB8.1 million, or 11.4%, from RMB71.5 million in 2017 to RMB79.6 million in 2018. The sales volume of kitchen cleaner series increased from 4.5 million kg for 2017 to 5.2 million kg for 2018, primarily due to (i) the successful marketing and promotional efforts that enhanced our brand recognition, and (ii) our successful cross-selling strategy online. In RMB terms, the average selling price of kitchen cleaner series decreased from RMB16.1 per kg for 2017 to RMB15.4 per kg for 2018, primarily due to more discounts provided to consumers to promote sales in 2018.

- *Natural Tea Concentrated Dishwash Series*: revenue from natural tea concentrated dishwash series increased by HK$18.2 million, or 30.0%, from HK$60.6 million in 2017 to HK$78.8 million in 2018. In RMB terms, revenue increased by RMB 14.9 million, or 28.5%, from RMB52.5 million in 2017 to RMB67.4 million in 2018. The sales volume of natural tea concentrated dishwash series increased from 4.6 million kg for 2017 to 6.1 million kg for 2018, primarily due to (i) the successful marketing and promotional efforts that enhanced our brand recognition, and (ii) our successful cross-selling strategy online. In RMB terms, the average selling price of natural tea concentrated dishwash series decreased from RMB11.4 per kg in 2017 to RMB11.1 per kg in 2018, primarily due to more discounts provided to consumers to promote sales in 2018.

- *Volo Cleaner Series*: revenue from Volo cleaner series increased by HK$11.3 million, or 21.5%, from HK$52.4 million in 2017 to HK$63.7 million in 2018. In RMB terms, revenue increased by RMB9.1 million, or 20.0%, from RMB45.4 million in 2017 to RMB54.5 million in 2018. The sales volume of Volo cleaner series increased from 3.7 million kg for 2017 to 4.3 million kg for 2018, primarily due to (i) the successful marketing and promotional efforts that enhanced our brand recognition, and (ii) our successful cross-selling strategy online. In RMB terms, the average selling price of Volo cleaner series remained generally stable at RMB12.6 per kg in 2018 as compared to RMB12.4 per kg in 2017.

By channel

Online channel

Revenue from our online channels increased by HK$851.7 million, or 45.6%, from HK$1,866.5 million in 2017 to HK$2,718.2 million in 2018. The increase was primarily due to (i) an increase in the number of e-commerce platforms we cooperated with from 40 as at 31 December 2017 to 55 as at 31 December 2018, (ii) our strengthened cooperation with various popular e-commerce platforms as we advertised more frequently and held more promotional activities on these platforms, (iii) increased sales of multi-item combo packs through our online channels, and (iv) our successful cross-selling strategy that promoted the sales of our personal hygiene products and home care products as described above.

Direct sales to key account clients

Revenue from direct sales to our key account clients increased by HK$117.0 million, or 16.6%, from HK$703.2 million in 2017 to HK$820.2 million in 2018, primarily due to our strengthened cooperation with certain hypermarkets in 2018 by sending our sales personnel to these hypermarkets to help promote our products.

Offline distributors

Revenue from offline distributors increased by HK$167.3 million, or 5.5%, from HK$3,062.3 million in 2017 to HK$3,229.6 million in 2018, primarily due to our strengthened cooperation with certain hypermarkets in 2018 to which some of our offline distributors sell our products.

Cost of sales

Our cost of sales increased by HK$244.7 million, or 9.3%, from HK$2,636.9 million in 2017 to HK$2,881.6 million in 2018, primarily due to an increase in cost of raw materials consumed from HK$2,096.4 million in 2017 to HK$2,611.2 million in 2018, mainly as a result of an increase in cost of raw materials consumed in line with the increase in revenue.

Gross profit and gross profit margin

Our gross profit increased by HK$891.2 million, or 29.8%, from HK$2,995.1 million in 2017 to HK$3,886.3 million in 2018. In RMB terms, our gross profit increased by RMB732.0 million, or 28.2%, from RMB2,595.0 million in 2017 to RMB3,327.0 million in 2018. Our overall gross profit margin increased from 53.2% in 2017 to 57.4% in 2018, primarily due to (i) a decrease in our cost of sales per unit as a result of decreases in the costs of palm oil-based chemicals supplied to us in 2018, as well as our successful effort in (a) improving inventory and procurement management by refining our sales forecast to optimise our inventory levels based on (x) our insight into consumer behaviour based on the direct online transactions with the end customers, and (y) our proprietary CRM system that captures our distributors' inventory data and (b) improving our production efficiency by standardising our ingredient management and ingredient addition procedure with the help of our self-developed Ingredient Management System, and (ii) an increase in sales of certain fabric care products with higher gross profit margins.

By product category

Fabric care products

Our gross profit from sales of fabric care products increased by HK$800.3 million, or 31.4%, from HK$2,546.4 million in 2017 to HK$3,346.7 million in 2018 and our gross profit margin from sales of fabric care products increased from 51.7% in 2017 to 56.6% in 2018, primarily due to (i) a decrease in our cost of sales per unit mainly as a result of the reasons described above, and (ii) an increase in sales of fabric care products with relatively high gross profit margins as part of our strategy to optimise our product mix.

- *Blue Moon Deep Clean Care Liquid Laundry Detergent Series*: our gross profit from the sales of Blue Moon Deep Clean Care Liquid Laundry Detergent increased by HK$535.7 million, or 31.4%, from HK$1,704.2 million in 2017 to HK$2,239.9 million in 2018 and our gross profit margin from the sales of such products increased from 53.6% in 2017 to 58.9% in 2018, primarily due to a decrease in the unit cost of palm oil-based chemicals supplied to us in 2018.

- *Pre-wash and hand-wash liquid laundry detergent series*: our gross profit from the sales of pre-wash and hand-wash liquid laundry detergent series increased by HK$14.7 million, or 8.0%, from HK$184.0 million in 2017 to HK$198.6 million in 2018 and our gross profit margin from the sales of such products increased from 55.1% in 2017 to 59.5% in 2018, primarily due to a decrease in the unit cost of palm oil-based chemicals supplied to us in 2018.

- *Laundry aids*: our gross profit from the sales of laundry aids increased by HK$32.5 million, or 16.2%, from HK$201.0 million in 2017 to HK$233.6 million in 2018 and our gross profit margin from the sales of such products remained relatively stable at 64.8% in 2018 as compared to 65.4% in 2017.

Personal hygiene products

Our gross profit from sales of personal hygiene products increased by HK$55.2 million, or 26.4%, from HK$208.7 million in 2017 to HK$263.9 million in 2018 and our gross profit margin from sales of personal hygiene products increased from 63.6% in 2017 to 64.3% in 2018, primarily due to a change in our product mix.

- *Antibacterial Liquid Soap Series*: our gross profit from the sales of antibacterial liquid soap series increased by HK$69.0 million, or 48.5%, from HK$142.5 million in 2017 to HK$211.5 million in 2018 and our gross profit margin from the sales of such products increased from 60.4% in 2017 to 63.9% in 2018, primarily due to reduced sales discount provided to customers in 2018.

Home care products

Our gross profit from sales of home care products increased by HK$35.6 million, or 14.8%, from HK$240.1 million in 2017 to HK$275.7 million in 2018 and our gross profit margin from sales of home care products remained relatively stable at 62.7% in 2018, as compared to 62.9% in 2017.

- *Kitchen Cleaner Series*: our gross profit from the sales of kitchen cleaner series increased by HK$4.1 million, or 7.5%, from HK$54.8 million in 2017 to HK$58.9 million in 2018 and our gross profit margin from the sales of such products decreased from 66.4% in 2017 to 63.3% in 2018, primarily due to more discounts provided to consumers to promote sales.

- *Natural Tea Concentrated Dishwash Series*: our gross profit from the sales of natural tea concentrated dishwash series increased by HK$12.5 million, or 36.7%, from HK$34.0 million in 2017 to HK$46.5 million in 2018 and our gross profit margin from the sales of such products increased from 56.2% in 2017 to 59.0% in 2018, primarily due to a decrease in the unit cost of palm oil-based chemicals supplied to us in 2018.

- *Volo Cleaner Series*: our gross profit from the sales of Volo cleaner series increased by HK$12.4 million, or 55.8%, from HK$22.1 million in 2017 to HK$34.5 million in 2018 and our gross profit margin from the sales of such products increased from 42.2% in 2017 to 54.1% in 2018, primarily due to a decrease in the unit cost of palm oil-based chemicals supplied to us in 2018.

Other income and other gains, net

Our other income and other gains, net increased by HK$14.3 million, or 61.9%, from HK$23.1 million in 2017 to HK$37.4 million in 2018, primarily due to an increase of HK$28.3 million government grants mainly related to subsidies granted by the local government authority to Blue Moon Industrial in recognition of its achievements and contribution to local economy, partially offset by a decrease of HK$8.6 million in gain on disposal of right-of-use assets related to disposal of land use rights.

Selling and distribution expenses

Our selling and distribution expenses increased by HK$479.4 million, or 23.2%, from HK$2,068.6 million in 2017 to HK$2,548.0 million in 2018, primarily due to an increase in employee benefit expenses as we strengthened cooperation with certain hypermarkets by sending our sales personnel to these hypermarkets to help promote our products, generally in line with the increase in our revenue.

General and administrative expenses

Our general and administrative expenses decreased by HK$143.5 million, or 18.5%, from HK$776.3 million in 2017 to HK$632.8 million in 2018, primarily due to decreases in (i) employee benefit expenses as we streamlined and optimised our management personnel by slowing down the relevant hiring, (ii) transportation and related expenses as we adopted a more efficient budget control system and (iii) maintenance expense as we completed the development of certain mobile apps and computer software.

Net impairment loss of financial assets

We incurred a net reversal of impairment loss of financial assets of HK$6.2 million related to reversal of provision for trade and bills receivables due from certain customers in 2018 primarily as a result of the subsequent recovery of such trade and bills receivables in that year, compared to a net provision for impairment loss of financial assets of HK$16.1 million related to such trade and bills receivables in 2017. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are considered to be subjected to higher risk of default and are tested individually. HK$9.1 million of the trade receivables were assessed on such basis as at 31 December 2017. Trade receivables are also grouped based on shared credit risk characteristics and the days past due. HK$6.9 million of the trade receivables were assessed on such basis as at 31 December 2017. Please refer to Note 3.1(c)(ii) to the section headed "Appendix I – Accountant's Report" for details related to our impairment of trade receivables.

Operating profit

As a result of the foregoing, our operating profit increased by HK$592.0 million, or 376.6%, from HK$157.2 million in 2017 to HK$749.2 million in 2018.

Finance costs, net

Our finance costs, net increased by HK$3.2 million, or 7.3%, from HK$44.0 million in 2017 to HK$47.2 million in 2018, primarily due to an increase in interest expenses on bank borrowings as the effective interest rate on the bank borrowings increased in 2018.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by HK$588.7 million, or 520.1%, from HK$113.2 million in 2017 to HK$701.9 million in 2018.

Income tax expense

Our income tax expense increased by HK$120.8 million, or 445.8%, from HK$27.1 million in 2017 to HK$147.9 million in 2018. Our effective tax rate decreased from 23.9% in 2017 to 21.1% in 2018, primarily because Blue Moon Chongqing ramped up its production in 2018 and its assessable profit was subject to the preferential income tax rate granted to it in 2017.

Profit for the year

As a result of the foregoing, our profit for the year increased by HK$467.8 million, or 542.7%, from HK$86.2 million in 2017 to HK$554.0 million in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we have funded our working capital primarily from cash generated from our business operations and bank borrowings. After the Global Offering, we intend to finance our future capital requirements through the same sources of funds, together with the net proceeds we received from the Global Offering. We do not anticipate any material changes to the availability of financing to fund our operations and to our capital structure in the future.

As at 31 October 2020, we had cash and cash equivalents of HK$656.7 million.

Our Directors are of the view that, taking into account the net proceeds from the Global Offering and the financial resources available to us, including cash and cash equivalents, our available banking facilities and cash flows from operating activities, we have sufficient working capital for our present requirements, that is for at least 12 months from the date of this prospectus.

The following discussion of liquidity and capital resources principally focuses on our consolidated statements of cash flows and assets and liabilities.

Cash flow

The following table sets forth selected consolidated statements of cash flow information for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
			HK$'000		
				(unaudited)	
Net cash generated from operating activities	703,114	249,017	1,032,424	93,516	526,908
Net cash used in investing activities	(214,890)	(138,220)	(193,503)	(9,030)	(81,209)
Net cash used in financing activities	(133,403)	(165,759)	(598,878)	(152,499)	(372,524)
Net increase/(decrease) in cash and cash equivalents	354,821	(54,962)	240,043	(68,013)	73,175
Cash and cash equivalents, at beginning of the year	165,075	547,436	467,967	467,967	690,064
Effect of foreign exchange rate changes	27,540	(24,507)	(17,946)	(16,020)	(9,797)
Cash and cash equivalents, at end of the year	547,436	467,967	690,064	383,934	753,442

Net cash generated from operating activities

Our net cash generated from operating activities for the six months ended 30 June 2020 was HK$526.9 million, resulting from our profit before income taxation of HK$428.8 million, adjustment of non-cash and non-operating items, movements in working capital, interest received of HK$4.1 million and income tax paid of HK$232.4 million. Our movements in working capital primarily reflected a decrease in trade and bills receivables of HK$592.6 million, primarily due to a decrease in trade receivables, mainly as a result of settlement of trade receivables by our customers and a decrease in sales as a result of seasonality, partially offset by (i) a decrease in trade and bills payables of HK$154.3 million, primarily due to a decrease in procurement as our sales decreased in the six months ended 30 June 2020 and (ii) a decrease in contract liabilities, accruals and other payables of HK$143.4 million, primarily due to a decrease in accrued salaries and wages as we temporarily streamlined our offline sales force due to less customer traffic in offline hypermarkets as a result of the COVID-19 outbreak.

Our net cash generated from operating activities in 2019 was HK$1,032.4 million, resulting from our profit before income taxation of HK$1,475.2 million, adjustment of non-cash and non-operating items, movements in working capital, interest received of HK$5.7 million and income tax paid of HK$128.4 million. Our movements in working capital primarily reflected (i) an increase in trade and bills receivables of HK$641.0 million, primarily due to higher sales in December 2019 mainly as a result of the earlier Chinese New Year in

2020, (ii) a decrease in trade and bills payables of HK$149.8 million, primarily due to a decrease in the unit price of certain raw materials and the continuous improvement in our inventory management and operational efficiency, partially offset by (i) a decrease in inventories of HK$200.5 million, primarily due to higher sales in December 2019 mainly as a result of the earlier Chinese New Year in 2020 and continuous improvement in inventory management and (ii) an increase in contract liabilities, accruals and other payables of HK$144.9 million, primarily due to increases in value-added tax and other payables mainly as a result of an increase in sales in December 2019.

Our net cash generated from operating activities in 2018 was HK$249.0 million, resulting from our profit before taxation of HK$701.9 million, adjustment of non-cash and non-operating items, movements in working capital, interest received of HK$6.2 million and income tax paid of HK$82.4 million. Our movements in working capital primarily reflected (i) an increase in trade and bills receivables of HK$256.9 million, generally in line with the increase in our sales, (ii) a decrease in trade and bills payables of HK$229.6 million, primarily due to a decrease in the unit price of certain raw materials and the continuous improvement in our inventory management and operational efficiency, and (iii) a decrease in contract liabilities, accruals and other payables of HK$164.4 million, primarily due to decreases in (x) deposits from logistics companies as we switched our logistics service providers, and (y) value-added tax and other tax payables, mainly as a result of a decrease in our sales relative to purchases made in December 2018.

Our net cash generated from operating activities in 2017 was HK$703.1 million, resulting from our profit before income taxation of HK$113.2 million, adjustment of non-cash and non-operating items, movements in working capital, interest received of HK$3.1 million and income tax paid of HK$36.6 million. Our movements in working capital primarily reflected (i) an increase in trade and bills payables of HK$412.6 million, primarily due to an increase in procurement as our revenue increased and (ii) a decrease in inventories of HK$280.4 million, generally in line with the increase in our sales, partially offset by a decrease in contract liabilities, accruals and other payables of HK$145.7 million, primarily due to a decrease in payables to logistics companies as our new factories commenced operations and transportation costs decreased.

Net cash used in investing activities

Our net cash used in investing activities was HK$81.2 million for the six months ended 30 June 2020, primarily due to (i) acquisition of property, plant and equipment of HK$79.5 million primarily related to production facilities, and (ii) acquisition of intangible assets of HK$9.6 million primarily related to computer system and computer software and development, partially offset by a release of restricted cash of HK$7.4 million.

Our net cash used in investing activities was HK$193.5 million in 2019, primarily due to (i) HK$131.3 million for the acquisition of property, plant and equipment primarily related to production facilities, and (ii) HK$65.6 million for the acquisition of intangible assets primarily related to computer system and computer software and development.

Our net cash used in investing activities was HK$138.2 million in 2018, primarily due to (i) HK$89.5 million for the acquisition of property, plant and equipment primarily related to production facilities, (ii) HK$32.0 million for the acquisition of intangible assets primarily related to computer system and computer software and development, and (iii) HK$16.8 million for increase in restricted cash primarily related to cash placed in the bank to secure the use of an online payment platform and certain bank borrowings.

Our net cash used in investing activities was HK$214.9 million in 2017, primarily due to the acquisition of property, plant and equipment of HK$330.1 million primarily related to production facilities, partially offset by (i) a receipt of government grant of HK$41.6 million primarily related to subsidies granted by the local government authority to Blue Moon Industrial in recognition of its achievements and contribution to local economy, (ii) release of restricted cash of HK$36.9 million primarily related to cash placed in the bank to secure the use of an online payment platform and certain bank borrowings, and (iii) proceeds from the disposal of right-to-use assets of HK$33.2 million.

Net cash used in financing activities

Our net cash used in financing activities was HK$372.5 million for the six months ended 30 June 2020, primarily due to repayment of borrowings of HK$287.7 million and dividend paid of HK$84.9 million.

Our net cash used in financing activities was HK$598.9 million in 2019, primarily due to repayment of borrowings of HK$726.8 million, partially offset by proceeds from borrowings of HK$281.1 million.

Our net cash used in financing activities was HK$165.8 million in 2018, primarily due to repayment of borrowings of HK$840.6 million, partially offset by proceeds from borrowings of HK$760.2 million.

Our net cash used in financing activities was HK$133.4 million in 2017, primarily due to repayment of borrowings of HK$1,020.8 million, partially offset by proceeds from borrowings of HK$963.1 million.

Net current assets/liabilities

The table below sets out our current assets, current liabilities and net current assets as at the dates indicated.

	As at 31 December			As at 30 June	As at 31 October
	2017	2018	2019	2020	2020
		HK$'000		*HK$'000*	*HK$'000* *(unaudited)*
Current assets					
Inventories	567,978	586,879	375,757	445,019	556,221
Trade and bills receivables	928,643	1,142,940	1,750,049	1,123,046	1,500,735
Prepayments, deposits and other receivables	354,036	235,818	282,719	260,939	275,686
Restricted cash[(1)]	2,863	19,120	25,890	18,085	30,427
Cash and cash equivalents	547,436	467,967	690,064	753,442	656,742
Tax recoverable	–	–	6,228	–	–
Total current assets	2,400,956	2,452,724	3,130,707	2,600,531	3,019,811
Current liabilities					
Trade and bills payables	931,943	664,721	511,922	349,276	417,133
Contract liabilities	14,366	20,502	16,188	44,644	39,626
Accruals and other payables	807,577	602,995	746,871	552,027	605,536
Amounts due to related companies	6,780	4,187	1,076	837	872
Dividend payable	85,261	85,261	48,261	–	–
Current income tax liabilities	17,540	39,527	218,679	95,885	43,047
Borrowings	812,992	662,628	206,529	74,386	84,305
Lease liabilities	25,534	24,021	26,325	30,781	32,135
Total current liabilities	2,701,993	2,103,842	1,775,851	1,147,836	1,222,654
Net current (liabilities)/assets	(301,037)	348,882	1,354,856	1,452,695	1,797,157

Note:

(1) As at 31 December 2017, 2018 and 2019 and 30 June 2020, our restricted cash was placed in the bank to secure the use of an online payment platform and certain bank borrowings.

Our net current assets increased from HK$1,452.7 million as at 30 June 2020 to HK$1,797.2 million as at 31 October 2020, primarily due to increases in (i) trade receivables and bill receivables of HK$377.7 million, mainly as a result of the increase in sales to the e-commerce platforms in preparation for the Singles' Day sales events, and (ii) inventories of HK$111.2 million as we recovered from the relatively low inventory level as at 30 June 2020 as a result of 618 Shopping Festival, partially offset by (i) a decrease in cash and cash equivalents of HK$96.7 million, mainly as a result of the purchase of production equipment as well as intangible assets primarily related to computer system and computer software development, and (ii) an increase in trade payables of HK$67.9 million, mainly as a result of an increase in purchases of raw materials in line with the higher production level in October 2020 compared with June 2020.

Our net current assets increased by HK$97.8 million from HK$1,354.9 million as at 31 December 2019 to HK$1,452.7 million as at 30 June 2020, primarily due to decreases in (i) trade and bills payables of HK$162.6

million, accruals and other payables of HK$194.9 million and current income tax liabilities of HK$122.8 million, primarily due to a decrease in sales as a result of the impact of the COVID-19 outbreak and seasonality, and (ii) borrowings of HK$132.1 million, mainly as a result of repayment of short-term borrowings and less short-term borrowings incurred in the six months ended 30 June 2020, and increases in (i) cash and cash equivalents of HK$63.3 million, mainly as a result of settlement of trade receivables by our customers, and (ii) inventories of HK$69.2 million, mainly because (a) we had low inventories as at 31 December 2019 mainly as a result of higher sales in December 2019 due to the earlier Chinese New Year in January 2020, and (b) the COVID-19 outbreak caused a decrease in our sales and an increase in product returns in the six months ended 30 June 2020, partially offset by a decrease in trade and bills receivables of HK$627.0 million, mainly as a result of settlement of trade receivables by our customers and a decrease in sales as a result of the impact of the COVID-19 outbreak and seasonality.

Our net current assets increased by HK$1,006.0 million from HK$348.9 million as at 31 December 2018 to HK$1,354.9 million as at 31 December 2019, primarily due to (i) an increase in trade and bills receivables of HK$607.1 million, mainly as a result of higher sales in December 2019 due to the earlier Chinese New Year in January 2020, (ii) a decrease in borrowings of HK$456.1 million, mainly as a result of repayment of short-term borrowings and less short-term borrowings incurred, and (iii) an increase in cash and cash equivalents of HK$222.1 million, mainly as a result of cash generated from our operating activities, partially offset by (i) an increase in accruals and other payables of HK$143.9 million, mainly as a result of increases in value-added tax and other tax payables generally in line with the increase in our sales, (ii) an increase in current income tax liabilities of HK$179.2 million, generally in line with the increase in our profit before tax, and (iii) a decrease in inventories of HK$211.1 million, mainly as a result of higher sales in December 2019 due to the earlier Chinese New Year in January 2020 and continuous improvement in inventory and procurement management by refining our sales forecast to optimise our inventory levels.

We had net current assets of HK$348.9 million as at 31 December 2018 compared to current liabilities of HK$301.0 million as at 31 December 2017. The change was primarily due to (i) a decrease in trade and bills payables of HK$267.2 million, mainly as a result of a decrease in the payments made to our suppliers as the unit price of certain raw materials decreased and the continuous improvement in our inventory and procurement management by refining our sales forecast to optimise our inventory levels, (ii) an increase in trade and bills receivables of HK$214.3 million, generally in line with the increase in our sales, (iii) a decrease in accruals and other payables of HK$204.6 million, mainly as a result of decreases in (a) deposits from logistics companies as we switched our logistics service providers, and (b) value-added tax and other tax payables due to a decrease in sales in December 2018 compared to December 2017, and (iv) a decrease in borrowings of HK$150.4 million, as a result of repayment of short-term borrowings and less short-term borrowings incurred.

Our net current liabilities position as at 31 December 2017 was primarily because (i) we primarily utilised short-term borrowings to finance our construction of production facilities and expansion of existing facilities, which are generally categorised as non-current property, plant and equipment; and (ii) we had incurred certain trade and bills payables and accruals and other payables as we were expanding our operations. Subsequently, our liquidity position improved at 31 December 2018 and 2019, 30 June 2020 and 31 October 2020 as we repaid our borrowings and our trade and bills payables decreased in 2018, 2019 and the six months ended 30 June 2020.

OFF-BALANCE SHEET TRANSACTIONS

During the Track Record Period, we did not have any material off-balance sheet arrangements or any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support for us. As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DESCRIPTION OF SELECTED BALANCE SHEETS ITEMS

Inventories

Our inventories consist primarily of raw materials and finished goods, and to a lesser extent, work in progress. Raw materials primarily consist of chemical and packaging materials.

The following table sets forth details of our inventories and inventory turnover days as at and for the dates or periods indicated.

	As at or for 31 December			As at or for 30 June
	2017	2018	2019	2020
		HK$'000		HK$'000
Raw materials	135,872	129,526	128,721	135,988
Work in progress	2,311	1,280	830	497
Finished goods	463,400	456,073	246,206	308,534
Inventories – gross	601,583	586,879	375,757	445,019
Provision for impairment	(33,605)	–	–	–
Inventories – net	567,978	586,879	375,757	445,019
Inventory turnover days[(1)]	96.8	73.1	69.5	85.1

Note:

(1) Inventory turnover days for each one-year period equals the average of the beginning and ending net inventory for the year divided by cost of sales for that year and multiplied by 365 days.

Inventory turnover days for the six-month period equals the average of the beginning and ending net inventory for the period divided by cost of sales for that period and multiplied by 182 days.

From 31 December 2017 to 31 December 2018, our inventories increased from HK$568.0 million to HK$586.9 million, primarily due to the reversal in 2018 of a provision made for impairment in 2017 of HK$33.6 million, mainly as a result of the impairment made in relation to certain obsolete products, partially offset by decreases in finished goods and raw materials in 2018, mainly as a result of an increase in sales and an improvement in inventory and procurement management by refining our sales forecast to optimise our inventory levels based on (i) our insight into consumer behaviour based on the direct online transactions with the end customers, and (ii) our proprietary CRM system that captures our distributors' inventory data.

From 31 December 2018 to 31 December 2019, our inventories decreased from HK$586.9 million to HK$375.8 million, primarily due to decreases in finished goods in 2019, mainly as a result of higher sales in December 2019 due to the earlier Chinese New Year in January 2020 and continuous improvement in inventory and procurement management by further refining our sales forecast to optimise our inventory levels.

From 31 December 2019 to 30 June 2020, our inventories increased from HK$375.8 million to HK$445.0 million, primarily because (i) we had low inventories as at 31 December 2019 mainly as a result of higher sales in December 2019 due to the earlier Chinese New Year in January 2020, and (ii) the COVID-19 outbreak caused a decrease in our sales and an increase in product returns in the six months ended 30 June 2020.

During the Track Record Period, our average inventory turnover days were 96.8, 73.1, 69.5 days and 85.1 days, respectively. The decreases in our inventory turnover days from 96.8 days in 2017 to 73.1 days in 2018 was primarily because our cost of sales increased along with the increase in our revenue at a faster rate than the increase in our net inventories in 2018, primarily due to our improvement in inventory and procurement management by refining our sales forecast to optimise our inventory levels based on (i) our insight into consumer behaviour based on the direct online transactions with the end customers, and (ii) our proprietary CRM system that captures our distributors' inventory data. Our inventory turnover days further decreased to 69.5 days in 2019 primarily because the ending balance of inventories decreased in 2019 due to increased sales in December 2019 mainly as a result of the earlier Chinese New Year in January 2020. The increase in our inventory turnover days to 85.1 days in the six months ended 30 June 2020 was primarily due to (i) the impact of the COVID-19 outbreak and the related product returns and (ii) the decrease in our cost of sales in the six months ended 30 June 2020. The COVID-19 outbreak presented logistical challenges for us, especially in the beginning of the outbreak.

As at 31 October 2020, HK$198.3 million, or 44.6%, of our inventory balance as at 30 June 2020 had been sold or utilised.

Trade and Bills Receivables

Our trade and bills receivables represent amounts in connection with the sales of our products due from our customers. They are either (i) letters of credit with bills payable at sight or (ii) open accounts with credit terms of 30 to 90 days.

The following table sets forth details of our trade and bills receivables and trade and bills receivables turnover days as at and for the dates or periods indicated.

	As at or for the year ended 31 December			As at or for the six months ended 30 June
	2017	2018	2019	2020
		HK$'000		*HK$'000*
Bills receivables	3,948	10,420	37,131	3,589
Trade receivables	940,768	1,142,442	1,724,707	1,137,705
Trade and bills receivables	944,716	1,152,862	1,761,838	1,141,294
Less: Loss allowance	(16,073)	(9,922)	(11,789)	(18,248)
Trade and bills receivables – net	928,643	1,142,940	1,750,049	1,123,046
Trade and bills receivables turnover days(1)	57.0	55.9	74.9	107.3

Note:

(1) Trade and bills receivables turnover days for each one-year period equals the average of the beginning and ending net trade and bills receivables for the year divided by revenue for that year and multiplied by 365 days.

Trade and bills receivables turnover days for the six-month period equals the average of the beginning and ending net trade and bills receivables for the year divided by revenue for that period and multiplied by 182 days.

The increase in our trade and bills receivables from HK$928.6 million as at 31 December 2017 to HK$1,142.9 million as at 31 December 2018, was generally in line with the increase in our sales. Our trade and bills receivables further increased to HK$1,750.0 million as at 31 December 2019, primarily due to an increase in trade receivables, mainly as a result of higher sales in December 2019 due to the earlier Chinese New Year in January 2020. Our trade and bills receivables decreased to HK$1,123.0 million for the six months ended 30 June 2020, primarily due to a decrease in trade receivables, mainly as a result of settlement of trade receivables by our customers and a decrease in sales as a result of the impact of the COVID-19 outbreak and seasonality.

During the Track Record Period, our average trade and bills receivables turnover days remained relatively stable at 57.0 and 55.9 days, respectively, in 2017 and 2018, and increased to 74.9 days in 2019, primarily due to an increase in trade receivables mainly as a result of higher sales in December 2019 due to the earlier Chinese New Year in 2020. Our average trade and bills receivables turnover days further increased to 107.3 days for the six months ended 30 June 2020, primarily due to the impact of the COVID-19 outbreak. The COVID-19 outbreak presented logistical challenges for certain customers, especially in the beginning of the outbreak.

The table sets out below an ageing analysis of trade and bills receivables as at the dates indicated.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	922,832	769,953	1,124,774	275,262
31 – 60 days	2,839	272,780	298,211	441,209
61 – 180 days	4,608	107,029	326,521	216,526
Over 180 days	14,437	3,100	12,332	208,297
Total	944,716	1,152,862	1,761,838	1,141,294

As at 30 June 2020, our trade and bills receivables aged over 180 days were HK$208.3 million, as compared to HK$12.3 million as at 31 December 2019. This increase was primarily due to the impact of the COVID-19 outbreak, which resulted in weaker consumer's demand for fabric care products in general as consumers temporarily reduced outdoor activities due to social distancing during the COVID-19 outbreak. As at 31 October 2020, HK$895.5 million, or 78.5% of our trade and bills receivables as at 30 June 2020 had been settled. As at the same date, HK$308.9 million, or 72.7% of our trade and bills receivables that aged over 60 days as at 30 June 2020, had been settled. Barring any unforeseen circumstances, we do not expect to experience any material recoverability issues for trade receivables over 60 days, as we expect the demand for fabric care products will further recover as the adverse effects of the COVID-19 outbreak gradually subside.

Sales are generally on open account with credit terms of 30 to 90 days during the Track Record Period. The remaining balances are covered by either (i) letters of credit with bills payable at sight or (ii) advances received from customers. We have policies in place to ensure that sales of products are made to customers with an appropriate credit history. We also have policies on granting different settlement methods to different customers to monitor the credit exposure. Letters of credit are normally required from new customers and existing customers with short trading history for settlement purposes. Please refer to Note 3.1(c) to the section headed "Appendix I – Accountant's Report" for further information about our credit risk management.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consist of (i) prepayments for acquisition of property, plant and equipment, (ii) prepayments for advertising and promotion expenses, (iii) prepayments for raw materials and transportation, (iv) prepayments for listing expenses, (v) deferred listing expenses, (vi) deposits, (vii) value-added tax recoverable, (viii) advances to staff, (ix) receivables from payment intermediaries, (x) right of returned goods related to the COVID-19 outbreak, and (xi) others.

The table sets out below details of our prepayments, deposits and other receivables as at the dates indicated.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Prepayments for acquisition of property, plant and equipment	245,211	160,248	59,421	58,648
Current				
Prepayments for advertising and promotion expenses	202,711	125,577	88,132	104,677
Prepayments for raw materials and transportation	78,990	61,113	14,024	16,246
Prepayments for listing expenses	–	–	–	103
Deferred listing expenses	–	–	–	4,045
Deposits	22,446	18,558	31,903	34,387
Value added tax recoverable	17,860	16,481	35,531	53,991
Advances to staff	3,970	679	1,206	893
Receivables from payment intermediaries	7,721	6,863	100,101	14,611
Right of returned goods	–	–	–	12,760
Others	20,338	6,547	11,822	19,226
Subtotal	354,036	235,818	282,719	260,939
Total	599,247	396,066	342,140	319,587

Our prepayments, deposits and other receivables decreased from HK$599.2 million as at 31 December 2017 to HK$396.1 million as at 31 December 2018, primarily due to decreases in (i) prepayments for acquisition of property, plant and equipment, mainly as a result of the payment being made as the construction of the production facilities progressed, and (ii) prepayments for advertising and promotion expenses, which in turn is primarily due to a decrease in prepayments for TV advertisements as a result of (a) our Group reaching an agreement with one of its TV advertisement providers which allowed our Group to pay a smaller prepayment upfront and (b) the rollover and utilisation of certain prepayments made by our Group in 2018 in relation to its TV advertisement projects in previous years.

Our prepayments, deposits and other receivables decreased from HK$396.1 million as at 31 December 2018 to HK$342.1 million as at 31 December 2019, primarily due to decreases in (i) prepayments for acquisition of property, plant and equipment, mainly as a result of the payment being made as the construction of the production facilities progresses, (ii) prepayments for advertising and promotion expenses mainly as a result of the decrease in prepayments for offline promotion expenses. As promotion services were rendered by certain offline KAs in 2019, the prepayments for the corresponding services were utilised. In addition, the decrease was also due to a decrease in offline promotion expenses, which led to a decrease in the associated prepayment as we increasingly utilised online promotions, and (iii) prepayments for raw material and transportation mainly as a result of a decrease in inventories as we improved our management of the inventories and as a result of our increased bargaining power vis-a-vis our suppliers, partially offset by an increase in receivables from payment intermediaries related to receivables from third party payment platforms, primarily because (i) in accordance with the relevant accounting rules, we recognise funds in our accounts with payment intermediaries as receivables from payment intermediaries until the funds are withdrawn from such accounts, and (ii) an online platform made a large payment to our account with a payment intermediary close to year end in relation to our sales on such platform and we had not fully withdrawn the funds from the account as at 31 December 2019. The payment was relatively large, primarily due to (i) an increase in our sales through online channels in 2019, which typically involve payment intermediaries, (ii) higher sales in December 2019 due to the earlier Chinese New Year in January 2020, and (iii) a change in an online platform's settlement policy in March 2019 that resulted in a lower payment frequency but a higher amount per payment. We have the freedom to withdraw the funds from such accounts at any time, subject to daily withdrawal limits imposed by certain payment intermediaries. Because of the daily withdrawal limit, we were unable to fully withdraw the funds from our accounts with the relevant payment intermediaries as at 31 December 2019. Thereafter, we continued to withdraw the funds from our accounts with the relevant payment intermediaries and as at 31 January 2020, 99.1% of the receivables with the relevant payment intermediaries as at 31 December 2019 have been withdrawn.

From 31 December 2019 to 30 June 2020, our prepayments, deposits and other receivables decreased from HK$342.1 million to HK$319.6 million, primarily due to a decrease in receivables from payment intermediaries related to payments due from third party payment platforms, primarily as a result of a decrease in online sales in the six months ended 30 June 2020, partially offset by (i) an increase in prepayments for advertising and promotion expenses as we increased our online advertising in the six months ended 30 June 2020, and (ii) right of returned goods related to refund liabilities we recognised for product return due to the COVID-19 outbreak; the amount is measured by reference to the former carrying amount of the goods subject to the product returns but are still being processed by 30 June 2020. Please refer to Note 26 to the section headed "Appendix I – Accountant's Report" for details.

As at 31 October 2020, HK$87.6 million, or 83.7% of our prepayments for advertising and promotion expenses have been utilised.

Trade and Bills Payables

Our trade and bills payables represent amounts due to our suppliers for purchases of raw materials. The credit period for our trade payables generally range from 30 to 90 days.

The following table sets forth details of our trade and bills payables and trade and bills payables turnover days as at and for the dates or periods indicated.

	As at or for the year ended 31 December			**As at or for the six months ended 30 June**
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	764,049	664,721	511,922	349,276
Bills payables	167,894	–	–	–
Total	931,943	664,721	511,922	349,276
Trade and bills payables turnover days[(1)]	97.1	101.1	85.0	89.3

Note:

(1) Trade and bills payables turnover days for each one-year period equals the average of the beginning and ending trade and bills payables for the year divided by cost of sales for that year and multiplied by 365 days.

Trade and bills payables turnover days for the six-month period equals the average of the beginning and ending trade and bills payables for the period divided by cost of sales for that period and multiplied by 182 days.

The decreases in our trade and bills payables from HK$931.9 million as at 31 December 2017 to HK$664.7 million as at 31 December 2018 and further to HK$511.9 million as at 31 December 2019 were primarily due to a decrease in the unit price of certain raw materials and the continuous improvement in our inventory management by refining our sales forecast to optimise our inventory level and production efficiency by standardising our ingredient management and ingredient addition procedure with the help of our self-developed Ingredient Management System. The decrease in our trade and bills payables from HK$511.9 million as at 31 December 2019 to HK$349.3 million as at 30 June 2020 was primarily due to a decrease in procurement as our sales decreased in the six months ended 30 June 2020 as a result of the impact of the COVID-19 outbreak and seasonality. We did not have any bills payables as at 31 December 2018 and 2019 and 30 June 2020 primarily because we switched to trade payables as our primary method of settlement as bills payables generally carry interest that is payable by us while trade payables are interest free.

During the Track Record Period, our average trade and bills payables turnover days remained relatively stable at 97.1 and 101.1 days, respectively, in 2017 and 2018. Our average trade and bills payables turnover days were relatively high as at 31 December 2017 and 2018, primarily due to the relatively high trade and bills payables as at 31 December 2017 as a result of the relatively high price of raw materials in 2017. Our average trade and bills payables turnover days decreased to 85.0 days in 2019, primarily due to the decrease of trade and bills payables as discussed above. Our average trade and bills payables remained relatively stable at 89.3 days in the six months ended 30 June 2020 as compared to 85.0 days in 2019.

The table sets out below an ageing analysis of trade and bills payables as at the dates indicated.

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Up to 3 months	921,112	653,779	510,654	348,503
3 to 6 months	9,043	5,098	1,268	–
6 months to 1 year	1,788	5,844	–	773
Total	931,943	664,721	511,922	349,276

As at 31 October 2020, HK$347.4 million, or 99.5% of our trade and bills payables as at 30 June 2020 had been settled.

Accruals and other payables

Our accruals and other payables during the Track Record Period primarily consist of (i) deposits from logistic companies, (ii) accrued salaries and wages, (iii) accrued advertising and promotion expenses, (iv) accrued listing expenses, (v) payables for capital expenditures, (vi) value-added tax and other tax payables, (vii) transportation cost payables and (viii) refund liabilities.

The table sets out below details of our contract liabilities, accruals and other payables as at the dates indicated.

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits from logistics companies	126,298	9,147	9,199	7,293
Accrued salaries / wages	162,506	188,231	215,787	132,199
Accrued advertising and promotion expenses	19,492	15,518	29,267	14,424
Accrued listing expenses	–	–	–	25,073
Payable for capital expenditures	24,045	70,858	63,738	30,937
Value-added tax and other tax payables	220,776	145,740	225,329	118,775
Transportation cost payables	172,515	150,200	164,384	110,301
Refund liabilities	–	–	–	53,525
Others	81,945	23,301	39,167	59,500
Total	807,577	602,995	746,871	552,027

The decrease in our accruals and other payables from HK$807.6 million as at 31 December 2017 to HK$603.0 million as at 31 December 2018 was primarily due to decreases in (i) deposits from logistics companies as we switched our logistics service providers, and (ii) value-added tax and other tax payables, mainly as a result of a decrease in our sales relative to purchases made in December 2018, partially offset by an increase in payable for capital expenditures, mainly as a result of the progress made in the construction of production facilities and related equipment. The increase in our accruals and other payables from HK$603.0 million as at 31 December 2018 to HK$746.9 million as at 31 December 2019 was primarily due to increases in value-added tax and other tax payables, mainly as a result of an increase in sales in December 2019. The decrease in our accruals and other payables from HK$746.9 million as at 31 December 2019 to HK$552.0 million as at 30 June 2020 was primarily due to decrease in (i) accrued salaries and wages as we temporarily streamlined our offline sales force due to less customer traffic in offline hypermarkets as a result of the COVID-19 outbreak, (ii) value-added tax and other tax payables as our sales decreased in the six months ended 30 June 2020, and (iii) transportation cost payables as our sales decreased in the six months ended 30 June 2020, partially offset by refund liabilities recognised for sales return due to the COVID-19 outbreak. As at 30 June 2020, we recognised refund liabilities of HK$53.5 million related to expected product returns due to COVID-19, being the amount of consideration received for which we do not expect to be entitled.[1] We also recognise a right to the returned goods

[1] The refund liabilities as at 30 June 2020 were slightly different from the sales value of the remaining products that have not been received by us as at the same date, due to the different exchange rates used in calculating the income statement line items and the balance sheet line items.

of HK$12.8 million measured by reference to the former carrying amount of the goods subject to the product returns. Please refer to Note 26 to the section headed "Appendix I – Accountant's Report" for details.

INDEBTEDNESS

Borrowings

The table sets out below details of our borrowings as at the dates indicated.

	As at 31 December			As at 30 June	As at 31 October
	2017	**2018**	**2019**	**2020**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*
Current					
Bank borrowings, secured	812,992	662,628	206,529	74,386	84,305
Non-current					
Bank borrowings, secured	185,263	211,182	207,396	73,548	68,259
Total	998,255	873,810	413,925	147,934	152,564

Our bank borrowings are secured by corporate guarantees, buildings, bank deposits and land use rights of our Group.

The table below sets out the maturity analysis of our borrowings as at the dates indicated.

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	812,992	662,628	206,529	74,386
Between 2 to 5 years	185,263	211,182	207,396	73,548
Total	998,255	873,810	413,925	147,934

The table below sets out the currencies of our borrowings as at the dates indicated.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	972,303	873,810	413,925	147,934
U.S. Dollars	25,952	–	–	–
Total	998,255	873,810	413,925	147,934

The effective interest rates (calculated as interest expenses on bank borrowings divided by total borrowings) of our borrowings as at 31 December 2017, 2018 and 2019 and 30 June 2020 were 4.6%, 5.0%, 4.6% and 4.3%, respectively. Our borrowings are secured by corporate guarantees, buildings, bank deposits and land use rights provided by our Company and certain of its subsidiaries.

Our borrowings decreased by HK$124.5 million from HK$998.3 million as at 31 December 2017 to HK$873.8 million as at 31 December 2018, further decreased by HK$459.9 million to HK$413.9 million as at 31 December 2019, and further decreased by HK$266.0 million to HK$147.9 million as at 30 June 2020. The decreases were primarily due to repayment of short-term borrowings and less short-term borrowings incurred during the Track Record Period. Our borrowings remained relatively stable at HK$152.6 million as at 31 October 2020, as compared to HK$147.9 million as at 30 June 2020. As at 31 October 2020, we had bank facilities of RMB1,559.1 million in aggregate, of which RMB132.3 million has been drawn down and RMB1,426.8 million remained available for draw down. As at the Latest Practicable Date, we had bank facilities of RMB3,637.5 million in aggregate, of which RMB132.3 million has been drawn down and RMB3,505.2 million remained available for draw down.

Our borrowings contain standard terms, conditions and covenants that are customary for commercial bank loans. We also undertake financial covenants that require us to meet certain financial ratio requirements such as net tangible assets, interest coverage ratio and tangible asset coverage ratio in our loan agreements.

Our Directors confirm that we had neither material defaults in payment of trade and non-trade payables and loans and borrowings, nor any breach of financial covenants during the Track Record Period.

Lease Liabilities

The table sets out below details of our lease liabilities as at the dates indicated.

	As at 31 December			As at 30 June	As at 31 October
	2017	**2018**	**2019**	**2020**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*
Current	25,534	24,021	26,325	30,781	32,135
Non-current	39,017	28,915	33,824	28,009	25,609
Total	64,551	52,936	60,149	58,790	57,744

The table below sets out the maturity analysis of our lease liabilities as at the dates indicated.

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	25,534	24,021	26,325	30,781
More than 1 year but less than 2 years	18,826	14,290	19,792	20,576
More than 2 years but less than 5 years	20,191	13,603	13,299	6,826
More than 5 years	–	1,022	733	607
Total	64,551	52,936	60,149	58,790

During the Track Record Period, we entered into leases primarily for offices and training venues for our sales personnel. Our lease liabilities decreased from HK$64.6 million as at 31 December 2017 to HK$52.9 million as at 31 December 2018. Our lease liabilities increased from HK$52.9 million as at 31 December 2018 to HK$60.1 million as at 31 December 2019. Our lease liabilities decreased from HK$60.1 million as at 31 December 2019 to HK$58.8 million as at 30 June 2020, mainly as a result of the lease payments we made.

As at 31 October 2020, we had lease liabilities of HK$57.7 million.

Contingent Liabilities

We did not have any material contingent liabilities as at 31 December 2017, 2018 and 2019, 30 June 2020 and 31 October 2020, respectively.

Statement of indebtedness

As at the close of business on 31 October 2020, being the latest practicable date for the purpose of this indebtedness statement, we did not have any bank overdraft, outstanding bank borrowings or loan facilities other than as disclosed above.

As at 31 October 2020, other than as disclosed above, we did not have any other borrowings, charges, mortgages, debentures or debt securities issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, hire purchase and finance lease commitments, liabilities under acceptance, acceptance credits, any guarantees or other material contingent liabilities.

On 24 November 2020, we entered into a term loan facility agreement with a principal amount of HK$2,300,000,000 (or its U.S. dollar equivalent) to finance the payment of the interim dividend we declared in June 2020. Please refer to the sub-section headed "Recent Developments and Material Adverse Change – Term Loan Facility" for details.

Since 31 October 2020 and up to the date of this prospectus, other than as disclosed above, our Directors confirm that, there had not been any material adverse change in our indebtedness and contingent liabilities.

CAPITAL EXPENDITURE

The following table sets forth our capital expenditures as at the dates indicated.

	Year ended 31 December			Six months ended 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Purchase of property, plant and equipment	234,831	178,165	234,730	81,871
Intangible assets	15,689	31,996	65,561	9,551
Total	250,520	210,161	300,291	91,422

During the Track Record Period, we incurred capital expenditure primarily for purchase of property, plant and equipment in relation to our existing production facilities and production facilities that are under construction and development of computer software. In 2017, 2018 and 2019 and the six months ended 30 June 2020, our capital expenditure totalled HK$250.5 million, HK$210.2 million, HK$300.3 million and HK$91.4 million, respectively.

We estimate that our capital expenditures for the year ending 31 December 2020 will be approximately HK$386.2 million, which we will use primarily to finance our production capacity expansion plan for our four production bases and the establishment of a new factory in China and the development of computer software. We expect to fund these capital expenditures with a combination of cash generated from our operations, bank loans and the net proceeds received from the Global Offering.

COMMITMENTS

Capital commitments

During the Track Record Period, our capital commitment was principally incurred for the acquisition of property, plant and equipment and land use rights for production facilities under construction and expansion of production capacity at certain existing production facilities. The following table sets forth our capital commitment as at the dates indicated. The increase in 2019 was primarily related to the acquisition of property, plant and equipment and land use rights related to (i) construction and capacity expansion of our production facilities in Guangzhou, Tianjin, Kunshan and Chongqing, and (ii) development of certain computer software. Please refer to the section headed "Business – Our Production Operations – Capacity Expansion" for details.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not provided for:				
Acquisition of property, plant and equipment and intangible assets	52,283	42,496	194,424	232,802

Operating lease commitments

During the Track Record Period, we have recognised right-of-use assets for non-cancellable leases, except for short-term leases. The following table sets forth our future aggregate minimum lease payments in respect of rented premises under non-cancellable short-term operating leases not recognised as right-of-use assets.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Buildings				
No later than one year	10,757	7,107	6,671	3,223

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the dates or for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
				(unaudited)	
Gross profit margin[(1)]	53.2%	57.4%	64.2%	61.5%	64.0%
Net profit margin[(2)]	1.5%	8.2%	15.3%	8.0%	12.4%
Return on equity[(3)]	6.7%	34.3%	45.7%	N/A	N/A
Return on assets[(4)]	2.1%	12.8%	23.1%	N/A	N/A

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Gearing ratio[(5)]	77.6%	49.9%	16.6%	6.7%
Current ratio[(6)]	0.9	1.2	1.8	2.3
Quick ratio[(7)]	0.7	0.9	1.6	1.9

Notes:

(1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin equals net profit divided by revenue and multiplied by 100%.

(3) Return on equity equals net profit divided by the average of the beginning and ending total equity and multiplied by 100%.

(4) Return on assets equals net profit divided by the average of the beginning and ending total assets and multiplied by 100%.

(5) Gearing ratio equals total debt (including borrowings and lease liabilities) divided by total equity and multiplied by 100%.

(6) Current ratio equals current assets divided by current liabilities.

(7) Quick ratio equals current assets less inventories divided by current liabilities.

Net profit margin

Our net profit margin increased from 1.5% in 2017 to 8.2% in 2018 primarily due to a 543.0% increase in our net profit while revenue increased by 20.2% during the same period. Our net profit margin further increased to 15.3% in 2019 primarily due to a 94.9% increase in our net profit while revenue increased by 4.2% during the same period. Our net profit margin increased from 8.0% in the six months ended 30 June 2019 to 12.4% in the six months ended 30 June 2020 primarily due to a 38.6% increase in net profit while our revenue decreased by 10.5% during the same period. The general increase in our net profit margin during the Track Record Period was also due to (i) the general increase in our gross profit margin, (ii) the general decrease in our selling and distribution expenses as a percentage of our revenue as we improved operations efficiency, especially by streamlining our offline sales force, and (iii) our improved inventory and procurement management as we refined our sales forecast to optimise our inventory levels.

Return on equity

Our return on equity increased from 6.7% in 2017 to 34.3% in 2018 primarily due to a 543.0% increase in net profit. Our return on equity further increased to 45.7% in 2019 primarily due to a 94.9% increase in net profit.

Return on assets

Our return on assets increased from 2.1% in 2017 to 12.8% in 2018 primarily due to a 543.0% increase in net profit. Our return on equity further increased to 23.1% in 2019 primarily due to a 94.9% increase in net profit.

Gearing ratio

Our gearing ratio decreased from 77.6% as at 31 December 2017 to 49.9% as at 31 December 2018 and 16.6% as at 31 December 2019, and further decreased to 6.7% as at 30 June 2020 primarily due to decreases in borrowings. Had we taken into account (i) the proceeds from the term loan with the principal amount of HK$2,300,000,000 pursuant to the Facility Agreement; (ii) the receipt of the net proceeds of HK$8,492 million from the Global Offering which is one of the conditions precedent of the term loan (assuming (a) an Offer Price of HK$11.68 per Share (being the mid-point of the Offer Price Range), (b) the underwriting commissions and the other estimated expenses payable by us as at 30 June 2020 have been deducted from the proceeds, and (c) the Over-allotment Option is not exercised); and (iii) the distribution of interim dividend of HK$2,300,000,000, the gearing ratio as at 30 June 2020 would have been 27.0%.

Current ratio

Our current ratio increased from 0.9 as at 31 December 2017 to 1.2 as at 31 December 2018 primarily due to a decrease in current liabilities, particularly from trade and bills payables, accruals and other payables, and borrowings. Our current ratio further increased to 1.8 as at 31 December 2019 primarily due to a decrease in current liabilities, particularly from borrowings, and an increase in current assets, particularly from trade and bills receivables. Our current ratio further increased to 2.3 as at 30 June 2020 primarily due to a decrease in current liabilities, particularly from borrowings.

Quick ratio

Our quick ratio increased from 0.7 as at 31 December 2017 to 0.9 as at 31 December 2018 primarily due to a decrease in current liabilities, particularly from trade and bills payables, accruals and other payables, and borrowings. Our quick ratio further increased to 1.6 as at 31 December 2019 primarily due to a decrease in current liabilities, particularly from borrowings, an increase in current assets, particularly from trade and bills receivables, and a decrease in inventories. Our quick ratio further increased to 1.9 as at 30 June 2020 primarily due to a decrease in current liabilities, particularly from borrowings.

RELATED PARTY TRANSACTIONS

We enter into transactions with related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 29 to the section headed "Appendix I – Accountant's Report" was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, our outstanding balances due to related parties of trade nature was HK$6.8 million, HK$4.2 million, HK$1.1 million and HK$0.8 million, respectively. As at the same dates, we did not have any outstanding balance due to related parties of non-trade nature.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risk, including foreign exchange risks, interest rate risks, credit risks and liquidity risks. Please refer to Note 3 to the section headed "Appendix I – Accountant's Report" for details.

Foreign Exchange Risks

The majority of our subsidiaries are operating in the PRC with most of the transactions and assets denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government. Because of the simplicity of our financial structure and current operations, no hedging activities are undertaken by management.

Interest Rate Risks

Our interest rate risk mainly arises from interest-bearing borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk, while borrowings issued at fixed rates expose us to fair value interest rate risk. We have not used any interest rate swap to hedge its exposure to interest rate risk.

If the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, our profit before income tax in 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 would have been HK$10.0 million, HK$8.7 million, HK$4.1 million, HK$7.8 million and HK$1.5 million lower/higher respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

We regularly monitor our interest rate risk to ensure there are no undue exposures to significant interest rate movements.

Credit Risk

Risk Management

Our credit risk mainly arises from cash and bank balances, trade and bills receivables, deposits and other receivables (except for prepayments). Our maximum exposure to credit risk is the carrying amounts of these financial assets.

Sales are generally on open account with credit terms of 30 to 90 days during the Track Record Period. The remaining balances are covered by either (i) letters of credit with bills payable at sight or (ii) advances received from customers. We have policies in place to ensure that sales of products are made to customers with an appropriate credit history. We also have policies on granting different settlement methods to different customers to monitor the credit exposure. Letters of credit are normally required from new customers and existing customers with short trading history for settlement purposes. Our historical experience in collection of trade and other receivables falls within the recorded allowances. At as 31 December 2017, 2018 and 2019 and 30 June 2020, trade and bill receivables of HK$944.7 million, HK$1,152.9 million, HK$1,761.8 million and HK$1,141.3 million were due from companies operating under domestically well-known supermarkets, e-commerce platforms and certain wholesalers in the PRC. Loss allowances of HK$16.1 million, HK$9.9 million, HK$11.8 million and HK$18.2 million have been provided for such trade and bill receivables as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the majority of our cash and bank deposits are held in major financial institutions located in Hong Kong and the PRC, which our management believes are of high credit quality. Our management does not expect any losses from non-performance by these financial institutions, therefore, the expected credit loss for cash and bank balances is minimal. We have no policy to limit the amount of credit exposure to any financial institutions.

We have no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Impairment of Financial Assets

We have two types of financial assets that are subject to the expected credit loss model:

- Trade receivables

- Other financial assets at amortised costs

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss is immaterial.

Trade receivables

We apply simplified approach under HKFRS 9 to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are considered to be subjected to higher risk of default and are tested individually.

Measurement of expected credit loss on individual basis

Trade receivables with higher risk of default are assessed individually for provision for impairment allowance. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the balances of such individually assessed trade receivables and the loss allowance in respect of these receivables are as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
		HK$'000		*HK$'000*
Individually assessed trade receivables	9,134	–	–	–
Loss allowance	(9,134)	–	–	–
	–	–	–	–

Measurement of expected credit loss on collective basis

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a specific period before each year end date and the corresponding historical credit losses experienced within the periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We have identified the overall industry outlook and GDP of the PRC in which we sell our goods and services to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

Loss allowance in respect of these collectively assessed trade receivables amounted to approximately HK$6.9 million, HK$9.9 million, HK$11.8 million and HK$18.2 million based on an average expected loss rate of approximately 0.7%, 0.9%, 0.7% and 1.6% as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

Impairment losses on trade receivables are separately presented as "net (provision for)/reversal of impairment losses of financial assets" in the consolidated profit or loss. Trade receivables are written off when there is no reasonable expectation of recovery. We normally categorise a trade receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost include bills receivables, refundable deposits and other receivables (excluding prepayments), they are considered to be low credit risk primarily because historically they had no history of default and the debtors had a strong capacity to meet its contractual cash flow obligations in the near term. No impairment losses were provided for during the Track Record Period.

Liquidity risk

Our primary cash requirements have been used on payments for additions and upgrades of property, plant and equipment, related debts and raw material purchases and operating expenses. We finance our working capital requirements through a combination of funds generated from operations and bank borrowings and take into account all available information on future business environment including among others, the economic impact of the unprecedented COVID-19 outbreak on the economies of the countries in which our Group and our customers and suppliers operate.

Our policy is to maintain sufficient cash and cash equivalents or have available funding through adequate amount of committed credit facilities to meet our working capital requirements.

Please refer to Note 3.1(d) the section headed "Appendix I – Accountant's Report" for a maturity analysis of different categories of our financial liabilities.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had they 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.

DIVIDENDS AND DIVIDEND POLICY

Dividends

In January 2013, we declared a dividend in the aggregate amount of HK$188.7 million to ZED, our sole shareholder until November 2010, in respect of our retained earnings for the periods up to 31 December 2009. During 2019, we paid HK$37.0 million of such dividend to ZED and as at 31 December 2019, the amount of the outstanding dividend payable to ZED was HK$48.3 million. In January 2020, we declared a dividend in the amount of HK$36.6 million to ZED in respect of our retained earnings for the periods up to 31 December 2009. During the six months ended 30 June 2020, we paid the total outstanding dividends payable to ZED in the aggregate amount of HK$84.9 million using our internal resources.

During the Track Record Period, save for the interim dividend referred to below, we did not declare any dividend to our sole Shareholder, being Aswann.

In June 2020, we declared an interim dividend to our then sole Shareholder, being Aswann, in the amount of HK$2,300.0 million in respect of our retained earnings for the period up to June 2020. Such dividend is conditional upon the Global Offering being completed on or before 31 December 2021 and subject to such condition being satisfied and with a view to maintaining sufficient flexibility for our operations and business expansions, it will be paid by us on or before 31 December 2021. Such dividend is expected to be funded by internal resources and/or a term loan facility obtained from a syndicate of banks including Citibank, N.A., Hong Kong Branch. None of the net proceeds from the Global Offering will be used to fund such dividend. As at the date the interim dividend was declared, Aswann was held as to 88.70% by ZED, 0.22% by Van Group Limited, 0.07% by Allied Power Limited, 10% by HCM, 0.72% by Hai Fei and 0.29% by CCIL which is identical to our Company's shareholding structure immediately prior to the Global Offering.

Dividend Policy

Our Directors are of the view that the amount of any dividends to be declared in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong, the applicable PRC laws and regulations in respect of repatriation of dividends and distributions, the Cayman Companies Law, the other applicable laws and regulations and all other relevant factors.

As advised by the PRC legal advisers to our Company, the distributable profits of PRC subsidiaries of our Company can be remitted out of the PRC provided that such PRC subsidiaries have complied with all the relevant laws and regulations of the PRC for tax payment, the distribution has been duly authorised by resolutions or other internal procedures, the auditors of the PRC subsidiaries have issued an audited report in accordance with PRC laws and regulations and the relevant remittance procedures have been completed.

We intend to distribute dividend to our Shareholders, the amount of which would be no less than 30% of our net profit for the first financial year (as determined in accordance with HKFRS) subsequent to the Global Offering. The past dividend declared and the above intention do not amount to, and shall not be construed as any guarantee or representation or indication that our Company must or will declare and pay dividend in such manner or declare and pay any dividend at all. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. The amount of dividend actually distributed to our Shareholders will depend upon our earnings, financial condition, operating requirements and capital requirements, and any other conditions that our Directors may deem relevant, and the requirement that any final dividend will be subject to approval of our Shareholders. The future declaration of dividends may or may not reflect our Company's historical declarations of dividends and will be at the absolute discretion of our Board.

Our Company's ability to pay cash dividend will also depend upon the amount of distributions, if any, received by it from its operating subsidiaries. Under PRC law, dividends may be paid out only by way of distributable profits, which are the retained earnings of the relevant companies incorporated in the PRC. Our Company will not ordinarily pay any dividends in a year in which it does not have any distributable earnings.

There can be no assurance that any dividends will be paid. Investors should consider the risk factors affecting our Group contained in the section headed "Risk Factors".

LISTING EXPENSES

Assuming an Offer Price of HK$11.68 per Offer Share (which is the mid-point of the Offer Price Range) and the full payment of the discretionary incentive fee, if any, we expect to incur approximately HK$234.0

million of listing expenses (including the aggregate underwriting commissions and fees, the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering), accounting for approximately 2.7% of the gross proceeds from the Global Offering. As at 30 June 2020, approximately HK$21.4 million has been charged to our consolidated statements of comprehensive income as administrative expenses. We expect to incur additional listing expenses of approximately HK$208.6 million after 30 June 2020, of which HK$32.4 million is expected to be recognised as administrative expenses. A total of HK$180.2 million is expected to be capitalised and deducted from equity upon Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DISTRIBUTABLE RESERVES

As at 30 June 2020, our Company had retained earnings of approximately HK$2,313.6 million, representing the distributable reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed "Appendix II – Unaudited Pro Forma Financial Information" for details.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Term Loan Facility

On 24 November 2020, we entered into a term loan facility agreement with a principal amount of HK$2,300,000,000 (or its U.S. dollar equivalent) (the "**Facility Agreement**") with a syndicate of banks including Citibank, N.A., Hong Kong Branch to finance the payment of the interim dividend we declared in June 2020. Subject to the Listing taking place and the fulfilment of certain customary conditions precedent, the term loan is available for drawdown from the date of the agreement to the earlier of (i) six months after the date of the Facility Agreement and (ii) six months after the Listing Date. Once drawn, the tenor of the loan is 36 months after the date of the Facility Agreement, with an interest rate of the applicable Hong Kong Interbank Offered Rate (if the drawdown is in Hong Kong dollars) or London Interbank Offered Rate (if the drawdown is in U.S. dollars) plus a certain margin. The mandatory repayment of the principal amount of the term loan will take place between the 24th and 36th month after the date of the Facility Agreement. However, the Company may make any voluntary prepayment of the term loan after 6 months from the date of the Facility Agreement (or if earlier, the day on which the available facility is zero). The Facility Agreement contains a set of covenants that are customary for commercial bank loans and requires us to meet certain financial ratio requirements such as maximum net debt-to-EBITDA ratio, minimum EBITDA-to-interest coverage ratio and minimum tangible net worth. The term loan provides for multiple drawdowns which would provide flexibility for us to fund the payment of the interim dividend using such combination of resources which is in the best interest of our Company and the Shareholders as a whole. As at the Latest Practicable Date, no drawdown has been made under the Facility Agreement.

Pre-IPO Share Option Scheme

On 23 September 2020, we adopted the Pre-IPO Share Option Scheme. On 23 September 2020, pursuant to the Pre-IPO Share Option Scheme, we have granted share options to subscribe for an aggregate of 61,651,000

Shares to certain grantees who are our employees (including our Directors and members of our senior management team) and our Business Associates. Please refer to the section headed "Appendix V – Statutory and General Information – D. Pre-IPO Share Option Scheme" for details.

The fair value of the share options granted will be recognised as share-based compensation expenses, which will have an adverse effect on our profits. Please refer to the section headed "Risk Factors – Risks relating to the Global Offering – Allotment and issue of Shares upon the exercise of the options granted under the Pre-IPO Share Option Scheme could negatively impact our future results of our operations" for details.

COVID-19 Outbreak

The COVID-19 outbreak presents challenges to our business and financial conditions. As a result of COVID-19, we incurred sales returns of approximately HK$149.8 million related to our consolidated profit or loss for the six months ended 30 June 2020. Among the sales returns, products with a sales value of HK$95.7 million has been returned as at 30 June 2020 and relevant trade receivables have been derecognised accordingly. Although the remaining products with a sales amount of HK$54.1 million have not been received by us as at 30 June 2020, as we expect such products will be returned to us based on our ongoing communication with our customers and the progress of the refund requests being processed, we have recognised refund liabilities of HK$53.5 million[1] in relation to these yet-to-be returned products as at 30 June 2020. Our management estimates the amount of sales returns, treated as variable consideration, by using the expected value method in accordance with applicable HKFRS. During the six months ended 30 June 2020, almost all sales returns of Supreme branded concentrated liquid laundry detergent occurred due to the unprecedented market disruption brought by the COVID-19 outbreak and our management reassessed the amount of goods returns as at 30 June 2020 taking into account the return requests received from customers and accepted by the Group. We consider the customers who did not request for product returns has an insignificant sales return rate during Track Record Period prior to 2020 and therefore do not consider any recognition of refund liabilities is necessary for those customers. The unsold inventory balance of each of our direct sales KAs or offline distributors is not directly related to the amount of returns requested by that direct sales KA or offline distributor. Accordingly, the amount of sales returns has not been determined based on the level of related unsold inventory balance of each of these direct sales KAs or offline distributors. Based on our management's assessment, refund liabilities for goods return of HK$53.5 million as at 30 June 2020 is considered sufficient and no further significant sales return request in respect of our Supreme branded concentrated liquid laundry detergent is expected based on the return requests accepted by our Group. Between 30 June 2020 and the Latest Practicable Date, products with a sales amount of HK$40.9 million have been returned. Please refer to the subsections headed "– Significant Accounting Policies, Judgements and Estimates – Provision for sales return" and "– Significant Accounting Policies, Judgements and Estimates – Refund liabilities" for our accounting judgement related to product returns and refund liabilities. We accepted such product returns from our customers primarily for commercial considerations, such as to maintain good business relationships with our customers. Based on information provided by our customers who were Independent Third Parties during the Track Record Period, we estimate that the approximate amount of the unsold inventories of Supreme branded concentrated liquid laundry detergents from our direct sales KAs and offline distributors as at the Latest Practicable Date would not exceed 5% of our revenue for the year ended 31 December 2019. Please refer to the section headed "Risk Factors – Risks Relating to our Business and

[1] The refund liabilities as at 30 June 2020 were slightly different from the sales amount of the remaining products that have not been received by us as at the same date, due to the different exchange rates used in calculating the income statement line items and the balance sheet line items.

Industry – Our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful.” for details.

We are of the view that we will have sufficient working capital for our present requirements covering at least 12 months from the date of this prospectus. However, there is no assurance that there will not be any other direct or indirect adverse impact on our business, financial condition and results of operations arising from any effect on the PRC economy or other parts of the world as a result of the continuance of the COVID-19 outbreak. Please refer to the sections headed “Risk Factors – Risks Relating to our Business and Industry – We face risks related to health epidemics, infectious diseases and other outbreaks, including the recent COVID-19 outbreak”, “Industry Overview – Impact of the COVID-19 Outbreak on China’s Household Care Industry” and “Business – Impact of the COVID-19 Outbreak on Our Business” for further details. Given the dynamic nature of the COVID-19 outbreak, our Group will continuously evaluate its impact on the financial condition and results of operations of our Group.

Based on our management accounts, our revenue for the nine months ended 30 September 2020 decreased slightly from the nine months ended 30 September 2019, primarily due to a decrease in revenue from fabric care products. The demand for fabric care products was weaker in general as consumers reduced outdoor activities due to social distancing during the COVID-19 outbreak primarily in the first half of 2020. Such decrease in revenue was partially offset by an increase in revenue from our personal hygiene products and home care products in the nine months ended 30 September 2020 driven by consumers’ increased awareness of personal and household hygiene as a result of the COVID-19 outbreak as well as the general recovery in sales in the third quarter of 2020 as the impact of the COVID-19 outbreak gradually subsided in China. In addition, based on our management accounts, our gross profit for the nine months ended 30 September 2020 slightly decreased compared to that for the nine months ended 30 September 2019 and our gross profit margin for the nine months ended 30 September 2020 was comparable to that for the nine months ended 30 September 2019.

Save as disclosed above in this section, our Directors confirm that, as at the date of this prospectus, there has not been any material adverse change in our financial or trading position or prospects since 30 June 2020, being the date as at which our latest audited consolidated financial statements were prepared as set out in the section headed “Appendix I – Accountant’s Report”.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company as at the date of this prospectus and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering and the Capitalisation Issue:

Authorised share capital

Shares	Description	Nominal value	Total nominal value
10,000,000,000	Shares authorised as at the date of this prospectus	HK$0.01	HK$100,000,000

Issued share capital

Shares	Description	Nominal value	Total Nominal Value
10,000	Shares in issue as at the date of this prospectus	HK$0.01	HK$100
4,999,990,000	Shares to be issued pursuant to the Capitalisation Issue	HK$0.01	HK$49,999,900
747,126,500	Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised)	HK$0.01	HK$7,471,265
5,747,126,500	**Total**		HK$57,471,265

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and does not take into account any Shares which may be issued by our Company pursuant to (a) the exercise of the Over-allotment Option, (b) the exercise of any outstanding options granted pursuant to the Pre-IPO Share Option Scheme, and (c) any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

Our Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all our Shares in issue or to be issued as set out in the above table, and will qualify for all dividends and other distributions declared, made or paid by our Company following the completion of the Global Offering and the Capitalisation Issue.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Please refer the section headed "Appendix IV – Summary of the Memorandum and the Articles of Association of our Company and Cayman Company Law" which sets out the circumstances under which general meetings are required.

GENERAL MANDATES GRANTED TO OUR DIRECTORS

Subject to the Global Offering becoming unconditional, general mandates have been granted to our Directors to allot and issue our Shares and to repurchase our Shares. For details of such general mandates, please refer to the section headed "Appendix V — Statutory and General Information – B. Further Information about our Business".

PRE-IPO SHARE OPTION SCHEME

We have adopted the Pre-IPO Share Option Scheme. Please refer to the section headed "Appendix V – Statutory and General Information – D. Pre-IPO Share Option Scheme" for further details of the Pre-IPO Share Option Scheme.

So far as is known to any Director or chief executive of our Company as at the Latest Practicable Date, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any outstanding share options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, the following persons will have an interest and/or short position (as applicable) in our Shares or underlying Shares, which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 any other member of our Group:

Interest and Long Positions in Shares

		Shares held immediately following the completion of the Global Offering and the Capitalisation Issue[(1)]	
Name of Shareholder	**Nature of interest**	**Number of Shares**	**Approximate Percentage**
ZED[(2)]	Beneficial owner / Interest in controlled corporation	4,446,000,000	77.36%
Ms. Pan[(2)]	Interest in controlled corporation	4,446,000,000	77.36%
Mr. Luo[(2)]	Interest of spouse	4,446,000,000	77.36%
HCM[(3)]	Beneficial owner	500,000,000	8.70%
Gaoling Fund L.P.[(3)]	Beneficial owner / Interest in controlled corporation	532,843,000	9.27%
Hillhouse Capital[(3)]	Interest in controlled corporation	534,500,000	9.30%

Notes:

(1) Assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any outstanding share options granted under the Pre-IPO Share Option Scheme.

(2) Ms. Pan is the sole shareholder of ZED, which in turns holds (i) directly 77.17% shares of our Company, and (ii) indirectly (as the sole shareholder of Van Group Limited) 0.19% shares of our Company. Therefore, ZED is deemed or taken to be interested in all our Shares which are beneficially owned by Van Group Limited for the purpose of Part XV of the SFO. Each of Ms. Pan and Mr. Luo (the spouse of Ms. Pan) is deemed or taken to be interested in all our Shares which are beneficially owned by ZED and Van Group Limited for the purpose of Part XV of the SFO.

(3) HCM is a company incorporated under the laws of the BVI with limited liability and is owned as to 95.32% by Gaoling Fund L.P., whose sole investment manager is Hillhouse Capital. Gaoling Fund L.P. is a beneficial owner of 32,843,000 Shares. Hillhouse Capital's interest also includes the beneficial interest in 1,657,000 Shares held by YHG Investment L.P., whose general partner is Hillhouse Capital. Both Gaoling Fund L.P. and YHG Investment L.P. are part of the HCM Entities.

Save as disclosed above, as at the Latest Practicable Date, none of our Directors or chief executive of our Company is aware of any other person who will, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any outstanding share options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, have an interest or short position in our Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

OUR CONTROLLING SHAREHOLDERS

As at the date of this prospectus, the issued share capital of our Company is owned as to 88.70% by ZED and as to 0.22% by Van Group Limited (a direct wholly owned subsidiary of ZED). ZED is in turn wholly owned by Ms. Pan.

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any outstanding share options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, Ms. Pan, through ZED and Van Group Limited, will be indirectly interested in approximately 77.36% of the issued share capital of our Company. Accordingly, each of Ms. Pan, ZED and Van Group Limited will remain as a Controlling Shareholder of our Company immediately following the completion of the Global Offering.

For more information relating to our Controlling Shareholders and their shareholdings in our Company, please refer to the sections headed "History, Reorganisation and Corporate Structure" and "Substantial Shareholders" for details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are of the view that, our Group is capable of carrying on its businesses independently from our Controlling Shareholders and their respective close associates following the completion of the Global Offering.

Clear Delineation of Business and No Competing Interest

There is a clear delineation of the business of our Group with that of our Controlling Shareholders.

As at the Latest Practicable Date, each of our Controlling Shareholders confirmed that she/it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete (directly or indirectly) with our Group's business.

Management Independence

Our Board consists of nine Directors, comprising five executive Directors (including Ms. Pan, our Controlling Shareholder), one non-executive Director and three independent non-executive Directors. Our management and operational decisions are made by our executive Directors and members of our senior management, almost all of whom have served our Group for a long time and have substantial experience in the industry in which we operate. Please refer to the section headed "Directors and Senior Management" for details.

Our Directors are of the view that our Board and our senior management are able to function independently of our Controlling Shareholders for the following reasons:

(a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) more than half of the members of our Board (comprising three executive Directors (being Ms. Luo Dong, Ms. Xiao Haishan and Mr. Poon Kwok Leung), the sole non-executive Director (being Mr. Cao Wei) and all of the independent non-executive Directors) are (i) independent of, and do not have any directorships and/or other roles in, our corporate Controlling Shareholders and (ii) not related to Ms. Pan or Mr. Luo;

(c) our independent non-executive Directors bring independent judgement to the decision-making process of our Board from time to time;

(d) other than Ms. Pan and Mr. Luo, none of the members of our senior management (i) has any directorships and/or other roles in our corporate Controlling Shareholders or (ii) is related to Ms. Pan or Mr. Luo;

(e) each of Ms. Pan and Mr. Luo devotes almost all her/his working time as an executive Director and other senior management roles in our Group;

(f) pursuant to the Articles, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest, and shall not be counted in the quorum present at the particular Board meeting; and

(g) we have adopted corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please refer to the subsection headed "Corporate Governance Measures" below for details.

Operational Independence

Our Company (through its operating subsidiaries) holds or enjoys the benefit of all relevant licences necessary to carry out its business in all material respects, and has sufficient capital, equipment, production facilities and employees to operate our business (including, but not limited to, product development and marketing and sales activities) independently from our Controlling Shareholders. Each of ZED and Van Group Limited is an investment holding company, and we do not rely on any of their respective operational, administration or human resources services. Further, we do not have any recurring transactions with our Controlling Shareholders and their respective close associates.

In addition, our organisational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal control measures to facilitate the effective operation of our business.

Based on the above, our Directors are of the view that our Group has been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Financial Independence

Our Group has sufficient funds to support its business operations, and has its own internal control, accounting, funding, reporting and financial management system and accounting and finance department independent from our Controlling Shareholders.

In addition, our Group does not rely on our Controlling Shareholders and/or their respective close associates for the provision of financial assistance. Our Directors confirmed that, as at the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates had provided any loans, guarantees or pledges to or for the benefit of our Group. Our Directors also believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders. Our Directors also confirmed that, as at the Latest Practicable Date, our Group did not provide any loans, guarantees or pledges to our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are of the view that our Group was able to operate financially independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to be financially independent.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the Global Offering, we have amended the Articles to comply with the Listing Rules. In particular, the Articles provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) where a Shareholders' meeting is to be held for considering proposed transactions in which a Controlling Shareholder or any of her/its close associates has a material interest, such Controlling Shareholder will abstain from voting on the relevant resolutions;

(c) our Company has established internal control mechanisms to identify connected transactions under the Listing Rules. Upon the Listing, if our Company enters into connected transactions with a connected person (including the Controlling Shareholder or any of her/its associates), our Company will comply with the applicable requirements under the Listing Rules;

(d) our Company is committed to ensuring that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experience, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole;

(e) in the event that our independent non-executive Directors are requested to review any conflict of interests circumstances between our Group on one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information for consideration and our independent non-executive Directors can seek advice from independent advisers at the cost of our Company where necessary; and

(f) we have appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

OVERVIEW

Prior to the Listing, our Group has entered into certain transactions with parties who will, upon the Listing, become connected persons (as defined in the Listing Rules) of our Company. Details of the continuing connected transactions of our Company following the Listing are set out below.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions are made in the ordinary and usual course of business and on normal commercial terms or better which will be regarded as non-exempt continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Master Purchase Framework Agreement

(a) Description of the transactions

Daoming Company is a company which engages in wholesale and retail trading of a variety of daily chemical raw materials, which mainly comprise surfactant and additive.

Since the establishment of Blue Moon Industrial (an indirect wholly owned subsidiary of our Company) in 2001, Blue Moon Industrial had purchased surfactant and additive from Daoming Company in order to manufacture products of our Group. The raw materials supplied by Daoming Company include products manufactured by its non-wholly owned subsidiary, and both domestic and imported chemical raw materials. From time to time during the Track Record Period, Daoming Company has also been supplying, and will continue to supply a variety of daily chemical raw materials to Blue Moon Industrial and other indirect wholly owned subsidiaries of our Company. The relevant chemical raw materials purchased by our Group during the Track Record Period were used as one of the raw materials required for producing household cleaning solutions and other products in the ordinary course of our business.

On 23 November 2020, our Company entered into a master purchase agreement with Daoming Company (the "**Master Purchase Framework Agreement**"), pursuant to which Daoming Company agreed to supply to us, and we agreed to purchase, chemical raw materials (including surfactant and additive) from Daoming Company with a term commencing from the date of signing to 31 December 2022, which can be renewed subject to the negotiation between the parties to the Master Purchase Framework Agreement and compliance with the requirements of the Listing Rules.

(b) Reasons for the transactions

The main objective of our Group's sourcing strategy is to avoid relying heavily on any single supplier to ensure stable supply and cost competitiveness. Our Group generally selects its suppliers based on various criteria including the reliability of delivery time, pricing of the materials and location of the suppliers' facilities. Daoming Company is not the sole and exclusive supplier for the chemical raw materials required by our Group for its business, and our Group also sources chemical raw materials from selected suppliers which are Independent Third Parties. As we have been procuring chemical raw materials from Daoming Company during the Track Record Period and given (i) our pricing policy below and (ii) the quality of the products supplied by Daoming Company, our Directors consider that it is in the interest of our Company and our Shareholders for our Group to continue to purchase the required raw materials from Daoming Company going forward provided that the prices offered by Daoming Company are fair and reasonable as compared to market rates.

(c) Pricing Policy

The purchase price payable by us to Daoming Company under the Master Purchase Framework Agreement will be determined through a bidding process according to the internal rules and procedures of our Company. Our centralised procurement centre will send bidding documents to suppliers on our relevant approved supplier list and the procurement personnel of our Group will compare the purchase price offered by Daoming Company and other Independent Third Parties as well as accessing our business needs, the relevant qualifications/experience of the bidders in providing such chemical raw materials, and the quality of the chemical raw materials offered. The bidding process is monitored by our centralised procurement centre. The winning bidder and the purchase price for the transactions under the Master Purchase Framework Agreement will be approved by our centralised procurement centre and be valid for no more than one quarter.

Where Daoming Company submits a bid but no other suppliers who are Independent Third Parties submit a bid in response to the bidding documents, our centralised procurement centre would compare the purchase price offered by Daoming Company to us and customers who are not connected to Daoming Company and, to the extent available, the prevailing market price of the relevant materials required by our Group. Our centralised procurement centre would then enter into arm's length negotiations with Daoming Company based on the above information, historical purchase price for the materials under procurement, the types of the materials under procurement, and other factors which the centralised procurement centre considers appropriate. Any final price agreed with Daoming Company will be approved by our centralised procurement centre and be valid for no more than one quarter.

The pricing terms under the Master Purchase Framework Agreement will be no less favourable to our Company than the terms offered by Independent Third Parties or the terms offered by Daoming Company to customers who are not connected thereto (as the case may be), and the purchase price will be in line with or lower than market rates and is in the best interests of our Company and our Shareholders as a whole.

(d) Historical Transaction Amounts

The aggregate purchase price paid by our Group to Daoming Company for the three financial years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 were approximately HK$9,170,000, HK$11,919,000, HK$6,568,000 and HK$1,129,000, respectively. The fluctuations in historical transaction amounts are mainly due to the fact that (i) our Group made certain purchases from suppliers who are Independent Third Parties and who offered prices lower than Daoming Company and (ii) our Group discontinued the purchase of certain types of chemical raw materials from Daoming Company after our Group has started to purchase some new types of chemical raw materials (which are not produced by Daoming Company) from suppliers who are Independent Third Parties since June 2018 as a result of upgrading of the formula of some of our products. We have continued to purchase such other types of chemical raw materials from Daoming Company to the extent that they are still used in our products and Daoming Company was selected after the process set out above.

(e) Annual Caps

The maximum aggregate annual purchase price payable by our Group to Daoming Company for the three financial years ending 31 December 2020, 2021 and 2022 will not exceed HK$4,042,600, HK$4,756,000 and HK$5,350,500, respectively.

The annual caps set out above were calculated by reference to (i) the historical transaction amounts (including the fluctuations in transaction amounts during the Track Record Period and the discontinued purchase of certain types of chemical raw materials from Daoming Company since June 2018 as a result of upgrading of the formula of some of our products), (ii) the expected increase in the cost of production of chemical raw materials by Daoming Company and the resulting expected increase in the purchase price charged by Daoming Company for supplying the chemical raw materials to our Group (including taking into account the expected annual inflation in the PRC of approximately 2%), (iii) the expected increase in demand for chemical raw materials from 2020 to 2022 at a rate of up to 15% per year (taking into account the historical growth of our Group's sales and the projected growth of our Group's operations, production and sales of household cleaning solutions products), (iv) potential new types of chemical raw materials which may be purchased from Daoming Company, (v) the potential 30% to 50% decrease in the amount of purchase of existing chemical raw materials from Daoming Company per year due to the availability of new suppliers of such materials who are Independent Third Parties, (vi) the unaudited purchase price paid by our Group to Daoming Company in the amount of approximately HK$2,334,000 in the nine months ended 30 September 2020, and (vii) the seasonality of our Group's production.

(f) Listing Rules Implications

Daoming Company is owned as to 70% by Mr. Fu Xiangdong, the brother of Mr. Luo (an executive Director of our Company) and as to 30% by Mr. Luo Wenming, the uncle of Mr. Luo. As such, Daoming Company is a connected person of our Company by virtue of being a majority-controlled company held by Mr. Fu Xiangdong (the brother of Mr. Luo) and thereby an associate of Mr. Luo pursuant to Rule 14A.12(2)(a) of the Listing Rules, who is himself a connected person of our Company.

As our Directors currently expect that the highest applicable percentage ratio in respect of the transactions in relation to the supply of daily chemical raw materials pursuant to the Master Purchase Framework Agreement will, on an annual basis, be more than 0.1% but less than 5%, such transactions will, pursuant to Rule 14A.76(2)(a) of the Listing Rules, be subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER FROM THE STOCK EXCHANGE

As the material terms of the non-exempt continuing connected transactions are disclosed in this prospectus and potential investors will participate in the Global Offering on the basis of the disclosures, our Directors consider that strict compliance with the announcement requirement under Chapter 14A of the Listing Rules would be unduly burdensome and, in particular, would induce unnecessary administrative costs to our Company.

As a result, our Company has applied to the Stock Exchange for, and has been granted, subject to the condition that the maximum aggregate annual transactions value shall not exceed the estimated annual caps as stated above, a waiver under Rule 14A.105 of the Listing Rules to exempt transactions set out in the subsection headed "Non-Exempt Continuing Connected Transactions" in this section from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules for the term ending 31 December 2022.

Our independent non-executive Directors and auditors of our Company will review whether the above continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant framework agreement as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually in accordance with the requirements of the Listing Rules.

If any material terms of the transactions contemplated under the Master Purchase Framework Agreement are altered, if any of the proposed annual caps set out above is exceeded, or if our Company enters into any new agreement with any of the connected persons of our Company in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless (a) such new transaction is a fully exempt connected transaction under Chapter 14A of the Listing Rules or (b) we apply for and obtain a separate waiver from the Stock Exchange in respect of such new transaction.

CONFIRMATION FROM OUR DIRECTORS

Our Directors, including our independent non-executive Directors, are of the view that:

(a) the non-exempt continuing connected transactions described above for which waiver is sought are entered into and will be carried out in the ordinary and usual course of business of our Group and all such transactions will be conducted on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and

(b) the proposed annual caps of such non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company relating to the non-exempt continuing connected transactions described above and have obtained confirmations from our Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that:

(a) the non-exempt continuing connected transactions described above for which waiver is sought have been entered into in the ordinary and usual course of business of our Group and are on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and

(b) the proposed annual caps of such non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board of Directors consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. Brief information of our Directors is set out below:

Name	Age	Position	Date of Appointment as a Director	Time of Joining our Group	Principal Responsibilities	Relationship with other Director(s) or senior management of our Group
Ms. PAN Dong (潘東)	55	Chairman of our Board, executive Director and chief technology officer	27 December 2007	August 1997	Responsible for the technological development of our Group	Spouse of Mr. Luo
Mr. LUO Qiuping (羅秋平)	57	Executive Director and chief executive officer	12 February 2008	November 1994	Responsible for the strategic planning and overall management of our Group	Spouse of Ms. Pan
Ms. LUO Dong (羅東)	47	Executive Director and chief supply officer	12 February 2008	December 2005	Responsible for the supply chain management of our Group	N/A
Mr. POON Kwok Leung (潘國樑)	41	Executive Director, chief financial officer and company secretary	22 June 2020	May 2008	Responsible for the management of financial accounts and financing matters of our Group	N/A
Ms. XIAO Haishan (肖海珊)	44	Executive Director and chief operation officer	22 June 2020	February 2011	Responsible for the operation and human resource management of our Group	N/A

Name	Age	Position	Date of Appointment as a Director	Time of Joining our Group	Principal Responsibilities	Relationship with other Director(s) or senior management of our Group
Mr. CAO Wei (曹偉)	42	Non-executive Director	22 June 2020	June 2020	Responsible for participating in decision making of important matters of our Group	N/A
Mr. Bruno Robert MERCIER	61	Independent Non-executive Director	22 June 2020(1)	Date of this prospectus	Responsible for supervising and providing independent judgement to our Board	N/A
Ms. NGAN Edith Manling (顏文玲)	56	Independent Non-executive Director	22 June 2020(1)	Date of this prospectus	Responsible for supervising and providing independent judgement to our Board	N/A
Mr. HU Yebi (胡野碧)	57	Independent Non-executive Director	22 June 2020(1)	Date of this prospectus	Responsible for supervising and providing independent judgement to our Board	N/A

Note:

(1) Appointment with effect from the date of this prospectus.

Executive Directors

Ms. PAN Dong (潘東), aged 55, was appointed as a Director and the chairman of our Company on 27 December 2007. She was re-designated as an executive Director on 22 June 2020. She is primarily responsible for the technological development of our Group. She joined our Group on 1 August 1997 as the chief technology officer and has served as the director of Blue Moon Group since November 1997. In addition, she currently acts as the director of Blue Moon Industrial, Blue Moon BVI and Villa La Luna Group. She is also the chairman of our Nomination Committee and a member of our Remuneration Committee. Ms. Pan is the wife of Mr. Luo.

Before joining our Group, Ms. Pan worked as a teacher at the Institute of Organic Chemistry of School of Chemistry at the South China Normal University from July 1987 to July 1997.

Ms. Pan has been the deputy chairman of the Eighth Council of China Cleaning Industry Association (中國洗滌用品工業協會) (“**CCIA**”) since November 2018. She has also been a member of National Standardisation Technical Committee on Surfactant and Fabric Care Products (TC272) (全國表面活性劑和洗滌用

品標準化技術委員會) and the deputy chairman of the Detergent Sub-committee of National Standardisation Technical Committee on Surfactant and Fabric Care Products (TC272/SC2) (全國表面活性劑和洗滌用品標準化技術委員會洗滌用品分技術委員會) since May 2010. She was appointed as an adviser of the third editorial committee of the Journal of China Cleaning Industry (《中國洗滌用品工業》) in August 2019.

Ms. Pan graduated from Wuhan University in China with a bachelor's degree in organic chemistry in July 1984 and a master's degree in organic chemistry in July 1987. She received a master of business administration degree with distinction from Lawrence Technological University in the United States in December 2001.

Mr. LUO Qiuping (羅秋平), aged 57, was appointed as a Director and the chief executive officer of our Company on 12 February 2008. He was re-designated as an executive Director on 22 June 2020. He is primarily responsible for the strategic planning and overall management of our Group. Mr. Luo joined our Group as a director of Blue Moon Group in November 1994 and has been acting as the chief executive officer of our Group since December 1994. He currently also serves as the director of Blue Moon Industrial and the executive director of Blue Moon Tianjin and Blue Moon Kunshan. Mr. Luo is the husband of Ms. Pan.

Mr. Luo has more than 30 years of experience in the household care industry. Prior to joining our Group, he worked at Daoming Company from April 1990 to June 1994, including serving as its general manager. Daoming Company is a company that engages in the manufacture and sales of raw materials, including at the time "Blue Moon (藍月亮)" brand cleaning products. He later founded Guangzhou Blue Moon Company in December 1994 and served as its general manager until its dissolution in April 2012.

Mr. Luo graduated from Wuhan University with a bachelor's degree in organic chemistry in July 1984. He received a master's degree in organic chemistry from the Chinese Academy of Sciences (中國科學院) in June 1987. Mr. Luo was certified as a chemical engineer in January 1993 by Guangzhou Municipal Science & Technology Commission (廣州市科學技術委員會) of the PRC.

Ms. LUO Dong (羅東), aged 47, was appointed as a Director of our Company on 12 February 2008. She was re-designated as an executive Director on 22 June 2020. She is responsible for the supply chain management of our Group. Ms. Luo joined our Group in December 2005. She has been working as the chief supply officer of our Group since 1 December 2005. She has also served as a director of Blue Moon Group since July 2007. In addition, she currently acts as the general manager of Blue Moon Tianjin, Blue Moon Kunshan and Blue Moon Guangzhou, as well as the general manager of Blue Moon Industrial. She is also currently the executive director of Nantong Moon House.

Ms. Luo has 25 years of experience in the operation, purchase and manufacture management of the "Blue Moon (藍月亮)" brand products. Ms. Luo worked at Daoming Company as the project development engineer from July 1993 to November 1994. She joined Guangzhou Blue Moon Company in December 1994 and acted as the project development engineer and technology engineer from December 1994 to December 1995. She also held various positions successively in Guangzhou Blue Moon Company between December 1995 and November 2002, including the head of the laboratory, the head of the department of quality inspection, assistant manager of the technical quality department and the manager of the finished product department, and was primarily responsible for the manufacture management of household care products. She acted as the chief supply officer of Guangzhou Blue Moon Company from November 2002 to November 2005, and she was primarily responsible for the supply chain management of Guangzhou Blue Moon Company.

Ms. Luo graduated from Beijing Institute of Fashion Technology (北京服裝學院) with a bachelor's degree in applied chemistry in July 1993.

Mr. POON Kwok Leung (潘國樑), aged 41, was appointed as a Director of our Company and re-designated as an executive Director on 22 June 2020. Mr. Poon joined our Group in May 2008 as the financial controller. He was later appointed as the chief financial officer of our Group on 1 March 2016. He is responsible for the management of financial accounts and financing matters of our Group.

Mr. Poon has extensive experience in auditing, accounting and financial management. He held positions of associate and later, senior associate in PricewaterhouseCoopers Ltd. from September 2001 to November 2004, and the position of assistant manager in KPMG from November 2005 to May 2006. Prior to joining our Group, Mr. Poon held managerial position in the wholesale banking group (China corporates) division of CITIC Ka Wah Bank Limited from September 2006 to October 2007 where Mr. Poon was primarily responsible for developing and maintaining client relationships.

Mr. Poon graduated from the University of Hong Kong in November 2001 with a bachelor's degree of business administration in accounting and finance. He also received a bachelor of Chinese law degree from the School of Law of Tsinghua University in July 2008. Mr. Poon has been a member of the Hong Kong Institute of Certified Public Accountants since October 2004.

Ms. XIAO Haishan (肖海珊), aged 44, was appointed as a Director of our Company and re-designated as an executive Director on 22 June 2020 and as the chief operation officer of our Group on 1 July 2017. She is responsible for the operation and human resource management of our Group. Ms. Xiao first joined our Group in February 2011. From February 2011 to June 2017, she held various positions in our Group successively, including the assistant of our Group's chief executive officer, the operation director and the head of human resource centre of our Group. She currently acts as the executive director and general manager of Blue Moon Chongqing, as well as the executive director of Xingshuo Guangzhou, Blue Moon Guangzhou, Moon House Data, Villa La Luna and Blue Moon China. She is also a member of our Remuneration Committee.

From July 1998 to July 2003, she held various positions successively in the marketing department of Guangzhou Blue Moon Company, including planning associate, branding manager and manager of the marketing department. From July 2007 to January 2011, Ms. Xiao acted as the general manager of Guangzhou Van Management Consulting Company Limited (廣州先基管理顧問有限公司), a company principally engaged in management consulting services, where she was primarily responsible for management of business operation.

Ms. Xiao graduated from Wuhan University with a bachelor's degree in economics in June 1998. She received a master of business administration degree from Zhejiang University in June 2007.

Non-executive Director

Mr. CAO Wei (曹偉), aged 42, was appointed as a non-executive Director of our Company on 22 June 2020. He is primarily responsible for participating in decision making of important matters of our Group. He is also a member of our Audit Committee.

Mr. Cao has more than 10 years of experience in finance and investment management. From July 2003 to August 2004, Mr. Cao was an associate at Boston Consulting (Shanghai) Co., Ltd., a management consulting firm where Mr. Cao was primarily responsible for conducting consulting projects for clients in Greater China. He later worked in Warburg Pincus, an investment management firm, as a principal from September 2004 to June 2014, where he was responsible for the investment consulting in the consumer and retail sectors in Greater China. Since July 2014, Mr. Cao has been working in Hillhouse Yali (Beijing) Investment Consulting Company Limited (高瓴雅禮（北京）投資諮詢有限公司) ("**Hillhouse Yali**"). He is currently a partner of Hillhouse Yali and is primarily responsible for private equity investment in consumer and retail industries. Mr. Cao has also been appointed as the director of Bestore Co., Ltd. (stock code: 603719.SH) since November 2017, the independent non-executive director of People.cn Co., Ltd, (stock code: 603000.SH) since December 2017 and a director of Gongniu Group Co., Ltd. (stock code: 603195.SH) since December 2017, each a company listed on the Shanghai Stock Exchange.

Mr. Cao graduated from Tsinghua University with a bachelor's degree in Accounting in July 2001 and obtained a master's degree in Accounting from the Tsinghua University in July 2003.

Independent Non-executive Directors

Mr. Bruno Robert MERCIER, aged 61, was appointed as an independent non-executive Director of our Company on 22 June 2020 with effect upon the date of this prospectus. Mr. Mercier is responsible for supervising and providing independent judgement to our Board. He is a member of our Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Mercier has extensive experience in the field of business advisory services.

He worked with McKinsey & Company, one of the world's leading business advisory firms, as an engagement manager from February 1989 to September 1992. He then worked at Groupe Pernod Ricard, a global wines and spirits producer, in its PRC and Thailand operations, as a managing director from September 1992 to April 1997. Prior to joining the Sun Art Group in 1999, he worked in an "Auchan" hypermarket store owned by Auchan Holding S.A. in France from February 1998 to March 1999, where he received trainings in all functions and roles of store operations including a store manager. Since April 1999, Mr. Mercier has served various positions in Sun Art Retail Group Limited (stock code: 06808) ("**Sun Art**", together with its subsidiaries, the "**Sun Art Group**"), a company listed on the Main Board of the Stock Exchange which is principally engaged in the operation of hypermarkets and e-commerce platforms in the PRC. Mr. Mercier joined the Sun Art Group as a development director of its "Auchan" subsidiary in Shanghai in April 1999. He then underwent training as a store manager in the "Auchan" Changyang hypermarket in Shanghai, the PRC in March 2002. Upon completion of the training in September 2002, he was appointed as the chief executive officer of Auchan (China) Investment Co., Ltd. ("**ACI**"), where he oversaw the development and implementation of its business plans and budget. During the period between October 2007 and July 2017, Mr. Mercier concurrently served as the chairman of ACI and RT-Mart International Ltd., a company incorporated in Taiwan, and played a leading role in implementing Auchan Holding S.A. (formerly Groupe Auchan S.A.)'s vision in both companies. From July 2011 to July 2017, Mr. Mercier also served as the chief executive officer and an executive director of Sun Art, where he was mainly responsible for the strategic direction and overall performance of the Sun Art Group. From July 2017 to December 2018, Mr. Mercier served as a senior adviser to the board of directors of Sun Art.

Since April 2015, Mr. Mercier has been serving as an industry adviser and provided industry advice to Partners Group, a Switzerland based investment company. Since November 2016, he has been a member of the board of the administration of Gramona SA, a premium wine producer based near Barcelona, where Mr. Mercier is primarily responsible for providing advice on strategy and operations. In July 2017, Mr. Mercier founded Naya Advisors Co., Limited, a company which is principally engaged in the investment in and provision of advisory services to start-up companies. Since December 2017, Mr. Mercier has also been an adviser to Nexus Point Capital, where he was appointed as a director of Home Chain Foods Co, a controlling shareholder of Burger King Taiwan, a fast food chained restaurant group, where he is primarily responsible for advising on development strategies. Since April 2019, he has been working with Bain International Inc. ("**Bain**"), a leading management consultancy company, as an external adviser, where he primarily assists and advises Bain's teams on different projects. Mr. Mercier was a member of the investment committee of Creadev International from December 2012 to March 2018 and of Creadev Innovation Chine from March 2018 to July 2019, where he provided investment advisory services.

Mr. Mercier graduated from the Higher National Agronomic School with a degree in engineering awarded by the Ministry of National Education and the French Polytechnic Institute of Toulouse in France in April 1983. He obtained the diploma of engineer of agronomics from the Higher National School of Applied Agronomic Sciences (Ecole Nationale Superieure des Sciences Agronomiques Appliquees) in France in November 1986. In addition, Mr. Mercier received his master's degree in business administration from INSEAD in December 1988. Mr. Mercier was awarded the certificate in Corporate Governance by INSEAD in February 2013.

Mr. Mercier's contribution to economic and social development has been widely recognised by society. He was awarded the Magnolia Gold Award by the mayor of Shanghai in September 2011 in appreciation of his support to Shanghai's development. He was also recognised as honorary citizen of the city of Suzhou, the PRC by Suzhou Municipal People's Government in September 2005.

Mr. Mercier was a director of the following company incorporated in the PRC when its business licence was revoked. The relevant details are as follows:

Company Name	**Place of Incorporation**	**Nature of Business**	**Reasons for the Revocation of Business Licence**
Tianjin Auchan Supermarket Company Limited (天津歐尚超市有限公司) ("**Tianjin Auchan**")	PRC	Retail	Mr. Mercier was a director of Tianjin Auchan at the time of the revocation. To the best of Mr. Mercier's knowledge, the business licence of Tianjin Auchan was revoked in 2010 because of its failure to complete annual inspection as required under relevant PRC regulations and its failure to apply for deregistration following the cessation of its supermarket business. As confirmed by Mr. Mercier, the shareholders of Tianjin Auchan decided to cease the operation of Tianjin Auchan before 2010, therefore no annual inspection was conducted thereafter. Mr. Mercier further confirmed that Tianjin Auchan was solvent at the time of such revocation and cessation of business. Mr. Mercier confirmed that, as at the Latest Practicable Date, he has not

Company Name	Place of Incorporation	Nature of Business	Reasons for the Revocation of Business Licence
			incurred any liabilities as a result of such revocation and is not aware of any actual or potential claim that has been or will be made against him or Tianjin Auchan due to such revocation. In addition, our PRC legal advisers advised that, Mr. Mercier, as a director of Tianjin Auchan, is not in the position to apply or resolve to dissolve or deregister Tianjin Auchan, (which is a right reserved for shareholders) nor is at fault for the revocation of the business licence of Tianjin Auchan.

Ms. NGAN Edith Manling (顏文玲), aged 56, was appointed as an independent non-executive Director of our Company on 22 June 2020 with effect upon the date of this prospectus. Ms. Ngan is responsible for supervising and providing independent judgement to our Board. She is the chairman of our Audit Committee and a member of our Remuneration Committee.

Ms. Ngan has extensive experience in public and private financial and corporate management, governance and business development.

Between May 1996 and March 2004, Ms. Ngan worked at Invesco Hong Kong Limited (formerly known as Invesco Asia Limited), an investment management firm, where her last position was chief executive officer managing and developing the operations in Hong Kong and Singapore. From October 2006 to April 2008, Ms. Ngan was a vice president and chief operating officer of Greater China operations of Principal International (Asia) Limited (a member of the Principal Financial Group, a S&P500 financial services company), where she was primarily responsible for the supervision of operations in Hong Kong and business development in China. She represented the group on the joint venture board with China Construction Bank and advised the operations on the development of the investment and trustee businesses. From April 2008 to August 2010, Ms. Ngan worked at Fortis Bank/Fortis Bank Nederland group/ABN AMRO group, where she managed the operations of ABN AMRO Fund Services (Asia) Limited (formerly known as Fortis Prime Fund Solutions (Asia) Limited) in Hong Kong, Singapore and Tokyo as its regional managing director. From September 2010 to March 2012, she was the executive director of the Asia Society Hong Kong Center Limited, a non-profit educational organisation, where she was responsible for completing the building project and setting up of the operations of the centre. From October 2012 to June 2016, she was the chief executive of Hong Kong Securities and Investment Institute, an institute providing qualifying examinations and training programmes to SFC licensed persons in Hong Kong. Between September 2016 and October 2017, she was the regional managing director, East Asia of RICS International Limited, where she represented the professional body promoting international standards and codes of practice in built environment measurement and valuation to support development in the markets of South Korea, Japan, China, Taiwan, Hong Kong and Macau. Since October 2018, Ms. Ngan has served as an independent non-executive director and a member of the audit committee and risk committee of Blue Insurance Limited (formerly known as Aviva Life Insurance Company Limited). She was also appointed as the chairwoman of the audit committee in August 2019. In addition, Ms. Ngan has been the independent non-executive director of Tencent Music Entertainment Group (stock code: NYSE: TME), a company listed on the New York Stock Exchange, since December 2018, where she also serves as audit committee chair.

Ms. Ngan has been a member of the Institute of Chartered Accountants in England and Wales since April 1992, an associate member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since September 1993 and a member of the Hong Kong Institute of Directors since August 2007. She became a fellow in each of the three institutes in July 2014, May 2014 and March 2008, respectively. She has served on a number of investment committees of government funds and was audit committee chair of the Lingnan University between August 2014 and October 2018 while serving on its council from October 2012 to October 2018. In January 2018, she was appointed by the Government of Hong Kong as a member of the Standing Commission on Civil Service Salaries and Conditions of Service. Ms. Ngan received the Medal of Honour by the Government of Hong Kong in July 2014.

Ms. Ngan graduated with a bachelor of science degree in industrial engineering and engineering management from Stanford University in June 1987.

Mr. HU Yebi (胡野碧) (with former name as HU Guiping (胡貴平)), aged 57, was appointed as an independent non-executive Director of our Company on 22 June 2020 with effect upon the date of this prospectus. Mr. Hu is responsible for supervising and providing independent judgement to our Board. He is the chairman of our Remuneration Committee and a member of our Nomination Committee.

Mr. Hu has over 20 years of experience in the fields of securities, financial services as well as mergers and acquisitions.

From March 1994 to March 2002, he worked at DBS Asia Capital Limited, where his last position was managing director of the equity capital markets division. Since April 2004, Mr. Hu has been the director of, and since June 2006, has been the chairman of Vision Finance Group Limited (formerly known as Partners Capital Asset Management Limited), a Hong Kong-based comprehensive financial services company focusing on investment holding.

Mr. Hu was also an executive director of each of Hua Lien International (Holding) Company Limited (stock code: 00969) from December 2010 to July 2017, Tai United Holdings Ltd. (stock code: 00718) from July 2014 to October 2016, Beijing Properties Holdings Limited (stock code: 00925) from December 2015 to November 2018, China Healthwise Holdings Limited (stock code: 00348) ("**China Healthwise**") from October 2016 to March 2017 and Beijing Enterprise Medical and Health Industry Group Limited (stock code: 02389) from May 2017 to October 2018, respectively, each a company listed on the Main Board of the Stock Exchange. He was also the vice chairman of the board of China Healthwise from October 2016 to March 2017. Mr. Hu was the executive director (April 2015 to November 2018) of Beijing Sports and Entertainment Industry Group Limited (stock code: 01803), a company listed on the Main Board of the Stock Exchange, and has been its non-executive director since November 2018. Since December 2018, he has acted as the independent non-executive director of China Grand Pharmaceutical and Healthcare Holdings Limited (stock code: 00512), a company listed on the Main Board of the Stock Exchange. He has also acted as the independent non-executive director of Gemdale Corporation (600383.SH), a company listed on the Shanghai Stock Exchange, since August 2019.

Mr. Hu received his postgraduate certificate in management engineering from Beijing Institute of Technology (北京理工大學) (formerly known as Beijing Institute of Technology (北京工業學院)) in August 1986. He received his master of business administration degree from Netherlands International Institute of Management (Research – instituut voor Bedrijfswetenschappen) in September 1989.

Save as disclosed above in the subsection headed "Board of Directors" above and the section headed "Appendix V – Statutory and General Information – C. Further Information about our Directors – 1. Disclosure of Interests", each Director had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and there is no other information in respect of our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT OF OUR GROUP

The executive Directors and members of the senior management of our Group are responsible for the day-to-day management of our business. Information relating to our executive Directors is set out in the subsection headed "Executive Directors" above.

In addition to the executive Directors, the members of the senior management of our Group include the following:

Name	Age	Position in our Group	Date of Appointment as Senior Management	Time of Joining our Group	Roles and Responsibilities	Relationship with other Director(s) or Senior Management of our Group
Mr. LIU Zhiqiang (劉志強)	38	General manager of the E-commerce Centre	1 July 2016	July 2006	Responsible for the operation and development of the e-commerce business of our Group	N/A
Mr. CHEN Mingliang (陳明亮)	43	General manager of the Sales Centre	1 October 2012	December 2005	Responsible for the operation and development of the sales channels of our Group	N/A
Mr. ZHENG Xianglong (鄭翔龍)	42	General manager of the Research and Development Technology Centre	1 January 2018	July 2005	Responsible for the technological development of our Group's products	N/A

Name	Age	Position in our Group	Date of Appointment as Senior Management	Time of Joining our Group	Roles and Responsibilities	Relationship with other Director(s) or Senior Management of our Group
Mr. LIN Shangpeng (林尚鵬)	56	Head of the BM Laundry Academy	18 June 2015	December 2005	Responsible for the research and development of professional cleaning technology of our Group	N/A
Mr. MIN Jianhua (閔建華)	37	General manager of the Product Centre	1 May 2013	January 2007	Responsible for the planning and development of our Group's brands and product lines	N/A
Mr. ZENG Liqun (曾立群)	38	General manager of the Communication Centre	1 August 2018	August 2018	Responsible for the communication and public relations of our Group	N/A
Ms. XU Yuling (徐玉玲)	58	General manager of the public affairs department	1 December 2015	December 2005	Responsible for company and legal affairs of our Group	N/A

Mr. LIU Zhiqiang (劉志強), aged 38, was appointed as the general manager of the E-commerce Centre of our Group on 1 July 2016. He joined our Group in July 2006. He is responsible for the operation and development of the e-commerce business of our Group. He is currently the general manager of Villa La Luna and Blue Moon China.

From July 2006 to December 2009, he acted as our Group's channel promotion associate, brand associate and media associate successively. He also held various positions successively, including the media supervisor, the media manager and the director of the Communication Centre, from December 2009 to February 2014. Before he was appointed as the general manager of the E-commerce Centre, he was the director of the marketing department from March 2014 to June 2016.

He graduated from Wuhan University with a bachelor's degree in public service administration in June 2006.

Mr. CHEN Mingliang (陳明亮), aged 43, was appointed as the general manager of the Sales Centre of our Group on 1 October 2012. He is responsible for the operation and development of the sales channels of our Group's products and services. Mr. Chen joined our Group in December 2005. From December 2005 to April 2007, he acted as the regional manager of our Group. He was later promoted to the national key account manager in May 2007 and to the national sales director in December 2008. He also acted as the general manager of Blue Moon China from January 2011 to April 2017. He currently acts as the executive director of Blue Moon Washing Technology, Chengdu Moon House, Guangzhou Moon House and the general manager of Blue Moon Washing Technology.

Mr. Chen has over 20 years of experience in the sales of cleaning products. Before joining our Group, he worked at Guangzhou Blue Moon Company from July 1999 to November 2005 as the sales representative and later the provincial regional manager.

He graduated from Heilongjiang Institute of Commerce (黑龍江商學院) with a bachelor's degree in marketing in July 1999.

Mr. ZHENG Xianglong (鄭翔龍), aged 42, was appointed as the general manager of the Research and Development Technology Centre of our Group on 1 January 2018. He is responsible for the technological development of our Group's products. Mr. Zheng joined our Group in July 2005 as a research and development engineer. He was the research and development manager of our Group from January 2010 to June 2015. He then served as the manager of the development department from June 2015 to December 2017.

Mr. Zheng has extensive experience in the development of cleaning products. He has been appointed as a China patent examination technological expert of the National Intellectual Property Administration of the PRC (中華人民共和國國家知識產權局) since November 2017, where he was primarily responsible for providing technical support for the examination of patent applications.

He has also served as a member of the Science & Technology Committee of CCIA since September 2014, and a member of the expert committee of CCIA since April 2016. In addition, he has been an executive member of the council of Detergent & Cosmetics (《日用化學品科學》), a leading journal on pioneer technologies in global detergent and cosmetic industries, since July 2017.

Mr. Zheng graduated from Tsinghua University with a bachelor's degree in chemical engineering and technology in July 2000. He then joined the doctorate programme at Tsinghua University and graduated with both a master's degree and a doctorate degree in chemical engineering and technology in July 2005.

Mr. LIN Shangpeng (林尚鵬), aged 56, was appointed as the head of the BM Laundry Academy on 18 June 2015. He is responsible for the research and development of professional cleaning technology of our Group. Mr. Lin joined our Group in December 2005 and served as the manager of the development department from December 2005 to June 2015.

Before joining our Group, he worked at Guangzhou Blue Moon Company and acted as an engineer of the development department from October 1997 to November 2003, and later the manager of the development department from December 2003 to November 2005.

In addition to his involvement in our Group, Mr. Lin also actively participates in various associations in the cleaning industry. He has acted as a member of the editorial committee of the Journal of China Cleaning

Industry (《中國洗滌用品工業》) since December 2006. He was also an expert of the Fragrance, Cosmetics and Cleaning Products Professional Branch of Guangdong Light Industries Association (廣東省輕工業協會香料香精化妝品洗滌用品專業分會) from April 2009 to April 2012. He also acted as the Guangzhou standardising expert of the Quality & Technology Supervision Bureau of Guangzhou Municipality (廣州市質量技術監督局) from April 2009 to April 2014. Since August 2013, he has been a member of the Detergent and Disinfectant for Food Appliances Committee (SAC/TC395) (全國食品用洗滌消毒產品標準化技術委員會). He was also appointed as the deputy chairman of the First Daily Chemical Products Committee of The Chemical Industry and Engineering Society of China (中國化工學會第一屆日用化學品專業委員會) in July 2019 for a term of 5 years.

Mr. Lin graduated from Sun Yat-sen University with a bachelor's degree in chemistry and a master's degree in analytical chemistry in July 1984 and July 1987, respectively.

Mr. MIN Jianhua (閔建華), aged 37, was appointed as general manager of the Product Centre of our Group on 1 May 2013. He is responsible for the planning and development of our Group's brand and product lines. He joined our Group in January 2007. From January 2007 to October 2010, he had held various positions successively, including the regional trade market associate, the head of the city planning team and the product associate. He then served as the product manager of the marketing department from November 2010 to April 2013.

Mr. Min graduated from Yangtze University (長江大學) with a bachelor's degree in agriculture in July 2006.

Mr. ZENG Liqun (曾立群), aged 38, was appointed as the general manager of the Communication Centre of our Group on 1 August 2018. He is responsible for the communication and public relations of our Group. Mr. Zeng joined our Group in August 2018.

Mr. Zeng has over 17 years of experience in product branding and marketing. He was the head of the planning team in Hangzhou Tingyuan Food Co., Ltd. (杭州頂園食品有限公司) from August 2002 to July 2006, where Mr. Zeng was responsible for Fuzhou marketing team's trade marketing planning. Prior to joining our Group, he worked at JDB (China) Drinks Co., Ltd. (加多寶（中國）飲料有限公司) from July 2006 to July 2018 where his last position was the brand director primarily responsible for developing the branding strategy of the company.

Mr. Zeng graduated from Bei Jing Business Management College (北京商業管理幹部學院) with an associate degree in business administration in July 2002. He received his postgraduate diploma with distinction from the University of Hong Kong in integrated marketing communications in October 2012.

Ms. XU Yuling (徐玉玲), aged 58, was appointed as general manager of the public affairs department of our Group on 1 December 2015. She is responsible for company and legal affairs of our Group. She joined our Group in December 2005. From December 2005 to December 2008, she was the deputy manager of the sales department. She then served as the head of general manager's office from January 2009 to November 2015.

From September 1983 to June 1992, Ms. Xu worked at Guangzhou Pearl River Paper Mill (廣州珠江造紙廠) as a technician where she was primarily responsible for technical work and Youth League Committee related work. She then took the role as a human resources manager at Guangzhou Economic and Technological Development

Zone Kanghai Business Development Company (廣州經濟技術開發區康海企業發展有限公司) from July 1992 to February 1994, where she was primarily responsible for human resource management and administrative management. Ms. Xu served as the human resources manager at Guangzhou Yuntong Technology Engineering Company Limited (廣州運通科技工程有限公司) from March 1994 to March 1995 where she was primarily responsible for human resource management. She joined Guangzhou Blue Moon Company in March 1995 and served as the manager of the personnel administration department from March 1995 to December 1998. She then acted as the deputy manager of the sales department from January 1999 to December 2005.

Ms. Xu also actively participates in a number of associations promoting business and technological development. She has been the deputy vice chairman of Guangzhou Huangpu (Guangzhou Development Zone) Enterprise Confederation (廣州市黃埔區(廣州開發區)企業聯合會) since January 2018, a council member of Guangdong Hi-tech Enterprise Association (廣州市高新技術企業協會) since September 2018, and the vice chairman of Guangzhou Development Zone Association for Innovation and Technology (廣州開發區科技創新協會) since 2018. She has also been the vice chairman of Guangzhou Huangpu District Female Talents Development Promotion Association (廣州市黃埔區女性人才發展促進會) since April 2019, and vice chairman of the Guangzhou Huangpu Branch of China Council for the Promotion of International Trade (中國國際貿易促進委員會廣州市黃埔區委員會) since October 2019.

Ms. Xu graduated from Guangzhou Vocational School of Light Industry (廣州市輕工中等專業學校) with a secondary degree in paper-making craftsmanship in September 1983. She completed the specialty training for party and government officials (黨政幹部專修科) and obtained an associate degree from Guangzhou Open University (廣州市廣播電視大學) in July 1987.

Save as disclosed above in subsections headed "Board of Directors" and "Senior Management of our Group" above and the section headed "Appendix V — Statutory and General Information — C. Further Information about our Directors — 1. Disclosure of Interests", each member of the senior management of our Group had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. POON Kwok Leung (潘國樑), aged 41, was appointed as the company secretary of our Company on 22 June 2020. Please refer to the subsection headed "Executive Directors — Mr. Poon Kwok Leung (潘國樑)" for his biographical details.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of our Directors was interested in any business which competes with or is likely to compete (directly or indirectly) with our Group's business.

BOARD COMMITTEES

Our Board has established our Audit Committee, Remuneration Committee and Nomination Committee.

Audit Committee

We have established our Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our Audit

Committee are to oversee the financial reporting system and internal control procedures of our Company, review the financial information of our Company and consider issues relating to the external auditors and their appointment.

Our Audit Committee consists of three Directors. The members of our Audit Committee are:

Ms. NGAN Edith Manling (*Chairman*)
Mr. CAO Wei
Mr. Bruno Robert MERCIER

Remuneration Committee

We have established our Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our Remuneration Committee are to make recommendations to our Board on our Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Our Remuneration Committee consists of five Directors. The members of our Remuneration Committee are:

Mr. HU Yebi (*Chairman*)
Ms. PAN Dong
Ms. XIAO Haishan
Mr. Bruno Robert MERCIER
Ms. NGAN Edith Manling

Nomination Committee

We have established our Nomination Committee as recommended by the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our Nomination Committee are to review the structure, size and composition of our Board, assess the independence of our independent non-executive Directors and make recommendations to our Board on the appointment and re-appointment of Directors and succession planning for Directors.

Our Nomination Committee consists of three Directors. The members of our Nomination Committee are:

Ms. PAN Dong (*Chairman*)
Mr. HU Yebi
Mr. Bruno Robert MERCIER

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules in all material aspects after the Listing.

BOARD DIVERSITY POLICY

Our Board has adopted a policy which sets out the approach to achieving diversity for our Board.

Our Company endorses the principle that our Board should have a balance of skills and experience appropriate to our business. In order to achieve a diversity of perspectives among members of our Board, it is the policy of our Company to consider a number of factors when making nominations to our Shareholders for appointments to our Board and the continuation of those appointments. Our Board considers, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors which our Board may consider relevant and applicable from time to time.

Selection of candidates will be based on our nomination policy and will take into account our Board's diversity policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board, having due regard to the benefits of diversity on our Board and also the needs of our Board without focusing on a single diversity aspect.

Our Nomination Committee will monitor the implementation of this policy by conducting review of our Board's composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to the policy when making recommendation on any Board appointments. Our Nomination Committee will also ensure that Board diversity is considered as part of the evaluation of our Board's effectiveness.

Our Nomination Committee has been delegated the responsibility to review the policy, as appropriate, to ensure the effectiveness thereof. Our Nomination Committee will discuss any revisions to the policy that may be required and make recommendation to our Board for approval.

DIRECTORS' REMUNERATION AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

For the three financial years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to our Group's pension scheme) and bonuses paid by our Group to our Directors were approximately HK$11,231,000, HK$11,681,000, HK$33,918,000 and HK$7,294,000, respectively.

Under the current arrangements, the aggregate remuneration and benefits in kind payable to our Directors for the financial year ending 31 December 2020 are estimated to be approximately HK$38,755,000.

For the three financial years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, one, one, two and three of our five highest paid individuals were Directors, respectively. The aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to our Group's pension scheme) and bonuses paid by our Group to our four, four, three and two remaining highest paid individuals were approximately HK$12,980,000, HK$18,314,000, HK$20,613,000 and HK$3,453,000, respectively.

During the Track Record Period, no remuneration was paid to our Directors or our five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past directors of our Company or our five highest paid individuals 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 had waived any remuneration and/or emoluments during the Track Record Period.

Please refer to the section headed "Appendix V – Statutory and General Information – C. Further Information about our Directors – 2. Particulars of Letters of Appointment" for details on the letters of appointment entered into between our Company and our Directors.

PRE-IPO SHARE OPTION SCHEME

Directors, senior management, employees and Business Associates of our Group are entitled to participate in the Pre-IPO Share Option Scheme at the discretion of our Board. Please refer to the section headed "Appendix V – Statutory and General Information – D. Pre-IPO Share Option Scheme" for details on the principal terms of the Pre- IPO Share Option Scheme.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to us. In compliance with Rule 3A.23 of the Listing Rules, we will consult with, and if necessary, seek advice from, the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry 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 the appointment of the compliance adviser will commence on the Listing Date and will end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

FUTURE PLANS

Please refer to the section headed "Business – Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering which we will receive, after deducting the underwriting commissions, the discretionary incentive fee (assuming full payment of the discretionary incentive fee) and the estimated expenses in relation to the Global Offering payable by us, will be:

- approximately HK$7,409 million, assuming an Offer Price of HK$10.20 (being the Minimum Offer Price);
- approximately HK$8,492 million, assuming an Offer Price of HK$11.68 (being the mid-point of the Offer Price Range); or
- approximately HK$9,576 million, assuming an Offer Price of HK$13.16 (being the Maximum Offer Price).

We currently intend to use the net proceeds assuming an Offer Price of HK$11.68 (being the mid-point of the Offer Price Range) from the Global Offering as follows:

- approximately 35.6%, or HK$3,024 million, will be used to finance our business expansion including production capacity expansion plans and develop our laundry services, among which, (1) approximately 27.3%, or HK$2,319.5 million, will be used for the capacity expansion plan of our four production bases, including the purchase of equipment and machinery to facilitate our capacity expansion, and related ancillary expenses, (2) approximately 4.6% or HK$392.2 million will be used for the establishment of a new factory in Hubei Province or Henan Province, which we believe would enhance our geographic coverage in central China, and (3) approximately 3.7% or HK$312.3 million will be used for the development of our laundry services from 2021 to 2025 as per our current plan. As at the Latest Practicable Date, we did not have a definitive plan for the new factory. Please refer to the section headed "Business – Our Production Operations – Capacity Expansion" for reasons of such expansion. The following table illustrate details of our currently contemplated capacity expansion plan of our four production bases:

Project information	Expected investment from the net proceeds of the Global Offering (HK$ in millions)	Production capacity as at 30 June 2020 ('000 tonnes)	Expected production capacity after expansion ('000 tonnes)[7]	Storage capacity as at 30 June 2020	Expected increase in storage capacity	Expected storage capacity after expansion	Expected products to be manufactured	Expected number of categories of machinery and equipment to be purchased	Expected breakeven period[1]	Expected payback period[2]	Expected utilisation rate to achieve breakeven point [3]	Commencement time	Expected year of completion	Progress as at 30 June 2020
Guangzhou expansion projects	816.1[6]	446	800 (including 140 for future products[4])	Raw material warehouses, 8,600 sq.m,; Raw material tanks, 1,300 tonne	Finished product warehouse, 24 thousand pallets; Raw material warehouse, 5,400 sq.m.; Raw material tanks, 1,200 tonne	Finished product warehouse 24 thousand pallets[5]; Raw material warehouses 14,000 sq.m.; Raw material tanks, 2,500 tonne	Fabric care products, personal hygiene products, and home care products	Approximately 15 different categories with an expected investment of approximately HK$379 million	Approximately one year	Approximately six years	Approximately 10%	January 2017	First half of 2023	The production related construction is completed, including a factory building and three warehouses with a total gross floor area of approximately 50,000 sq.m.. Such construction took approximately 18 months to complete. We have commenced trial manufacturing on the production lines that we have obtained the production license and are in the process to obtain licenses for product lines that require a different production license. Other constructions, such as the construction of office and administrative building, new equipment and machinery installation and existing equipment and machinery upgrade are in progress. Particularly, new equipment and machinery installation includes the installation of tanks, pipes, automation equipment and power generation facilities. Additionally, existing equipment and machinery upgrade primarily include factory facility improvement such as ventilation, lighting and security measures. We plan to use the net proceeds from the Global Offering for the outstanding payments and future payments for the completed project and projects in progress.
Tianjin production capacity upgrade project	477.1	375	530 (including 100 for future products[4])	Finished product warehouse 43 thousand pallets[5]; Raw material warehouses 15,500 sq.m,; Raw material tanks, 2,400 tonne	Not applicable as we currently do not plan to expand the storage capacity for Tianjin production base	Not applicable as we currently do not plan to expand the storage capacity for Tianjin production base	Fabric care products, personal hygiene products, and home care products	Approximately 15 different categories with an expected investment of approximately HK$347 million	Approximately one year	Approximately seven years	Approximately 10%	Expected to commence in the first half of 2022	Second half of 2023	Expect to commence in the first half of 2022
Kunshan expansion project	481.9	188	640 (including 150 for future products[4])	Finished product warehouse 18 thousand pallets[5]; Raw material warehouses 6,400 sq.m,; Raw material tanks, 1,400 tonne	Finished product warehouse, 20 thousand pallets	Finished product warehouse 38 thousand pallets[5]; Raw material warehouses 6,400 sq.m.; Raw material tanks, 1,400 tonne	Fabric care products, personal hygiene products, and home care products	Approximately 15 different categories with an expected investment of approximately HK$239 million	Approximately one year	Approximately seven years	Approximately 10%	May 2019	First half of 2023	Construction in progress
Chongqing expansion project	544.4	188	390 (including 100 for future products[4])	Finished product warehouse 21 thousand pallets[5]; Raw material warehouses 6,800 sq.m,; Raw material tanks, 1,400 tonne	Finished product warehouse, 24 thousand pallets; Raw material warehouse, 5,200 sq.m.; Raw material tanks, 100 tonne	Finished product warehouse 45 thousand pallets[5]; Raw material warehouses 12,000 sq.m.; Raw material tanks, 1,500 tonne	Fabric care products, personal hygiene products, and home care products	Approximately 15 different categories with an expected investment of approximately HK$215 million	Approximately one year	Approximately seven years	Approximately 10%	Expected to commence in the fourth quarter of 2020	Second half of 2023	Construction planning in progress

Notes:

(1) The time required for the annual revenue of each production base to exceed its annual total expenses.

(2) The time required for the accumulated net cash generated from operations of each production base to exceed the total investment in each project.

(3) We calculate the utilisation rate to achieve the breakeven point under the assumption that a number of factors remain unchanged or at a similar level after each expansion plan is completed, including the production volume, the retail price of our products, the sales performance of our products, cost of raw materials and cost of human resources.

(4) The expected production capacity for existing products and future products are estimates based on current budgeting and planning. The actual production capacity will depend on various factors including market trends, consumer preferences, logistics arrangements and production management at the time.

(5) Pallet is a warehousing unit used in China's logistics industry. The dimension of a pallet is 1.2 metre (length) by 1.0 metre (width).

(6) The Guangzhou production base is allocated more net proceeds than other production bases because the Guangzhou production base is our headquarters. It has a more diverse range of functions and purposes and has a larger number of staff on site, while other production bases mainly consist of factories for the production of our products and have fewer staff (both production and non-production staff) in general. Accordingly, substantially higher costs are required for certain projects involving the Guangzhou production base. For instance, the remaining construction projects of the Guangzhou production base include an advanced research laboratory and an office and administrative buildings complex. The advanced research laboratory is more costly than a research laboratory at other bases as it is planned to accommodate more staff and conduct more research activities. The office and administrative buildings complex are also more costly than administrative buildings in other bases due to the necessity to accommodate a substantially larger number of staff, as well as its external client facing functions, which are typically not required for other bases. Further, the labour costs for the construction of the Guangzhou production base is higher than that of other production bases because contractors are more expensive in Guangzhou. Therefore, according to our development plan, we consider it necessary to allocate more net proceeds to the Guangzhou production base.

(7) For the four existing production bases, by the time that our current production capacity expansion plan is completed, we estimate that the expected production capacity allocation for fabric care, personal hygiene, and home care products would be approximately 1,660,000 tonnes, 320,000 tonnes and 380,000 tonnes, respectively. However, such expected production capacity allocation is subject to change due to market demand and potential adjustment for production planning in the future.

The following table illustrates our current plan for the new factory:

Planned location	Expected investment from the net proceeds of the Global Offering (HK$ in millions)	Expected production capacity ('000 tonnes)	Expected storage capacity	Expected products to be manufactured	Expected number of categories of machinery and equipment to be purchased	Expected breakeven period[(1)]	Expected payback period[(2)]	Expected utilisation rate to achieve breakeven point[(3)]	Expected commencement time	Expected completion time
Hubei Province or Henan Province	392.2	150 (including 40 for future products)[(4)]	Finished product warehouse 18 thousand pallets[(5)]: Raw material warehouses 8,000 sq.m.; Raw material tanks, 1,500 tonne	Fabric care products, personal hygiene products, and home care products	Approximately 15 different categories[(6)]	Approximately one year	Approximately eight years	Approximately 10%	Second half of 2022	Second half of 2025

Notes:

(1) The time required for the annual revenue of each production base to exceed its annual total expenses.

(2) The time required for the accumulated net cash generated from operations of each production base to exceed the total investment in each project.

(3) We calculate the utilisation rate to achieve the breakeven point under the assumption that a number of factors remain unchanged or at a similar level after the commencement of operation of the new factory, including the production volume, the retail price of our products, the sales performance of our products, cost of raw materials and cost of human resources.

(4) The expected production capacity for existing products and future products are estimates based on current budgeting and planning. The actual production capacity will depend on various factors including market trends, consumer preferences, logistics arrangements and production management at the time.

(5) Pallet is a warehousing unit used in China's logistics industry. The dimension of a pallet is 1.2 metre (length) by 1.0 metre (width).

(6) We currently do not plan to use the net proceeds from the Global Offering to finance the purchase of equipment and machinery for the new factory, as the project is expected to commence in the second half of 2022.

We consider various factors in selecting the geographic area of the new factory, including the population and the consumption ability, the social and economic condition, demand for our products and the penetration of our products, and our current distribution network coverage. Based on our internal market research combined with our past sales and distribution practice, we believe our current plan to establish such new factory is feasible.

Our current equipment and machinery purchase plan involving the 15 categories of machinery and equipment (as mentioned in the tables above) is based on our past production experience. We have taken into consideration the need of each step of the production process and the relevant equipment and machinery historically used in the establishment of production facilities in Guangzhou, Chongqing, Tianjin and Kunshan, as well as the expansion of capacity in the relevant facilities. Such equipment and machinery are essential to our production process. Please refer to the subsection headed "Our Production Operations – Production Process" for details.

We plan to develop our laundry services by establishing a number of laundry centres across China which provide professional laundry services to consumers on a large scale. For details of our existing laundry services, please refer to the section headed "Business – Customer Services – Laundry Services". The following table sets forth our current plan for the development of our laundry business:

Total number of planned laundry centres	Expected investment from the net proceeds of Global Offering (HK$ in millions)	Locations	Expected breakeven period[(1)]	Expected payback period[(2)]	Expected commencement time	Expected completion time
Approximately five	312.3	Guangzhou, Tianjin, Chongqing, and east China	Three to four years	Seven to eight years	First half of 2021	First half of 2025

Notes:

(1) The time required for the annual revenue of each laundry factory to exceed its annual total expense.

(2) The time required for the accumulated net cash generated from operations of each laundry factory to exceed the total investment in the same laundry factory.

- approximately 52.4%, or HK$4,453 million, will be used to raise our brand awareness, increase our product penetration and strengthen our sales and distribution network. Specific plans for us to raise our brand awareness include:

  (i) approximately HK$66 million will be used for celebrity endorsement. Currently we plan to engage approximately three to four celebrities to endorse our products. Each endorsement is expected to have a duration of approximately one year based on our past experience;

  (ii) approximately HK$918 million will be used for the sponsorship of approximately three to five popular TV programmes annually, including our plans to continue sponsoring the mid-autumn festival galas on CCTV and Hunan TV, and we will consider to work with other popular TV programmes that are suitable for our promotion strategies, including TV programmes that can facilitate the delivery of household cleaning knowledge. Each sponsorship is expected to have the same duration as the TV programme itself. Based on our experience during the Track Record Period, the average annual cost of each TV programme that we sponsored range from approximately RMB25 million to RMB 60 million;

  (iii) approximately HK$1,366 million will be used for live streaming sessions by popular KOLs, certain promotional programmes organised by third parties, and advertising programmes on print media. We currently plan to hold 200 to 300 live streaming sessions by popular KOLs who primarily produce original media contents to promote high-quality lifestyle on major social media or e-commerce platforms annually for the next five years. We currently plan to allocate approximately HK$56,000 to HK$85,000 for each of the live streaming session by KOLs based on our market research, amounting to approximately HK$85 million in the aggregate. Our spending on each particular KOL may vary depending on various factors including the reputation, capability and popularity of the relevant KOL. Additionally, we plan to participate in approximately one to two promotional programmes organised by other parties such as CCTV. We expect each such programme will cost approximately HK$115 million, assuming we deploy two promotional programmes annually from 2021 to 2025 based on our past experience and market research. Further, we plan to participate in advertising programmes on approximately 10 to 15 print media. We expect each such programme will cost approximately HK$2.6 million, assuming we deploy 10 advertising programmes on such media annually for the next five years based on our past experience and market research. The nature of such promotional programmes and advertising programmes include TV programmes on popular TV channels as well as advertisements on magazines, national and local newspapers to promote our products and cleaning methods, educate the customers about the value of our products and thereby increasing our brand awareness; and

(iv) approximately HK$146 million will be used for the deployment of marketing campaigns through online and offline channels, including approximately HK$56 million for the costs for advertising material provided to offline distributors and direct sales KAs, approximately HK$90 million for advertisement company consultation fees, and other related expenses. Each marketing campaign is expected to have a duration of approximately one year based on our past experience.

The allocated net proceeds for raising of our brand awareness are expected to be utilised for these purposes through 2025.

Specific plans to increase our product penetration and strengthen our sales and distribution network include:

(i) approximately HK$762 million, will be used for our online channels, as we plan to solidify our leadership position by cooperating with major e-commerce platforms and exploring opportunities with emerging e-commerce platforms. We currently plan to work with 80 to 120 e-commerce platforms and we intend to allocate HK$6.4 million to HK$9.5 million to each e-commerce platforms. Specific measures include producing videos and live-streaming programmes with topics that would help to promote our newly launched products, enhancing our online communication with consumers to further promote our concentrated liquid laundry detergents, and further increasing the market penetration of our home care products through digital contents, online advertisements and online promotional events. Additionally, we intend to leverage certain e-commerce platforms' strategic initiatives to penetrate into lower-tier cities and reach a broader consumer base. The allocated net proceeds are expected to be utilised for these purposes through 2025;

(ii) approximately HK$837 million, will be used for our direct sales KAs. We currently plan to work with 15 to 20 of our direct sales KAs and we intend to allocate HK$41.9 million to HK$55.8 million to each direct sales KAs. We intend to continue investing in the increase of product exposure and display by, for example, paying for the use of product display space maintained and owned by hypermarkets and supermarkets, sponsoring themed events and demonstrating our products at retailers to enhance product exposure, and enhancing our advertisement efforts by increasing our investments on advertisement materials and the relevant expenses for the cleaning consultants who explain the value of our products to the consumers and deliver cleaning scientific cleaning methods we developed. Please refer to the section headed "Business – Knowledge-based Marketing – Offline Marketing" for details. The allocated net proceeds are expected to be utilised for these purposes through 2025; and

(iii) approximately HK$358 million, will be used for our offline distributors. We currently plan to work with 2,000 to 2,300 of our offline distributors and we intend to allocate HK$0.16 million to HK$0.18 million to each offline distributor for the next five years. We plan to continue investing in the increase of product exposure and display by, for example, increasing shelf display, arranging for pile heads and end frame display of our products using the space maintained and owned by the retail points of sales covered by our offline distributors to enhance product exposure. Moreover, we aim to optimise and expand our offline distributor network based on their capability to serve specific sales channels to deepen penetration from urban downtown areas of the larger cities to counties, townships and villages across all of China's provinces. We plan to continue utilising the measures we adopted during the Track Record Period. Please refer to section headed "Business – Sales and Distribution Network – Offline Distributors" for details. The allocated net proceeds are expected to be utilised for these purposes through 2025.

We have incurred substantial amounts of expenses in connection with advertising and promotional activities during the Track Record Period. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our total advertising and promotion expenses amounted to HK$713.9 million, HK$707.3 million, HK$699.6 million, HK$240.3 million, and HK$258.9 million, respectively. In line with our business strategies, we plan to further enhance our marketing and promotional efforts, such as strengthening our omni-channel sales and distribution network and promoting scientific cleaning knowledge. Therefore, we plan to incur more advertising and promotional expenses in the next few years in order to execute our strategies and grow our business. Please refer to the sections headed "Business – Business Strategies – Further strengthen our omni-channel distribution network and increase product penetration" and "Business – Business Strategies – Continue to win consumers' trust through promotion of scientific cleaning knowledge" for details. Additionally, according to the Frost & Sullivan Report, in 2019, the average marketing and promotional expense of major household care companies in China was approximately RMB800 million. The average marketing and promotional expenses of other major consumer goods companies in China represented 10% to 40% of their total revenue in 2019, while our total advertising expenses and promotion expenses only represented 12.7%, 10.4%, 9.9%, 8.8%, and 10.6% of our total revenue for the year ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. We believe it is an industry norm for consumer goods company in China to allocate a significant amount of expense budget on marketing and promotional efforts;

- approximately 10.0%, or HK$849 million, will be used for our working capital and other general corporate purposes;

- approximately 2.0%, or HK$166 million, will be used to enhance our research and development capabilities. We aim to continue to upgrade the formulae and packaging of our existing products by launching, well-designed and high-quality products fitting for different consumption scenarios, distribution channels, and consumer segments. Additionally, we also aim to increase our usage of compact packaging that is more environmentally friendly. Furthermore, we aim to satisfy consumers' expectations by expanding our product matrix to cover more categories. Our efforts include, but are not limited to, hiring high-quality research and development staff. We plan to hire approximately 100 staff members for our research and development team. We primarily plan to focus on hiring candidates with doctoral or master's degrees from reputable domestic or international universities. For certain management positions, we plan to hire candidates with at least eight to ten years' experience in the relevant industry.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price Range stated in this prospectus.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$9,775 million, assuming an Offer Price of HK$11.68 per Share, 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$1,246 million, as the case may be. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

Pending the deployment of the net proceeds from the Global Offering as described above, our Company currently intends to deposit such net proceeds as short-term interest bearing deposits with licensed banks or authorised financial institutions. We will make an appropriate announcement if there are any material changes to the above proposed use of proceeds or if any amount of the proceeds will be used for a general corporate purpose.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the cornerstone investors described below (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors agreed to subscribe for, and we agreed to issue, allot and place to the Cornerstone Investors, such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased for an aggregate amount of approximately HK$1,821,250,000 at the final Offer Price under and as part of the International Offering (the "**Cornerstone Placing**").

Based on an Offer Price of HK$10.20 per Offer Share, being the low-end of the Offer Price Range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 178,553,000 Offer Shares, representing approximately (i) 23.90% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 20.78% of the Offer Shares (assuming the Over-allotment Option is exercised in full), (iii) 3.1% of our Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon any exercise of the options which have been granted under the Pre-IPO Share Option Scheme), and (iv) 3.04% of our Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue (assuming the exercise of the Over-allotment Option in full but without taking into account any Shares which may be issued upon any exercise of the options which have been granted under the Pre-IPO Share Option Scheme).

Based on an Offer Price of HK$11.68 per Offer Share, being the mid-point of the Offer Price Range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 155,927,000 Offer Shares, representing approximately (i) 20.87% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 18.16% of the Offer Shares (assuming the Over-allotment Option is exercised in full), (iii) 2.72% of our Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon any exercise of the options which have been granted under the Pre-IPO Share Option Scheme), and (iv) 2.67% of our Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue (assuming the exercise of the Over-allotment Option in full but without taking into account any Shares which may be issued upon any exercise of the options which have been granted under the Pre-IPO Share Option Scheme).

Based on an Offer Price of HK$13.16 per Offer Share, being the high-end of the Offer Price Range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 138,391,500 Offer Shares, representing approximately (i) 18.52% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 16.11% of the Offer Shares (assuming the Over-allotment Option is exercised in full), (iii) 2.41% of our Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon any exercise of the options which have been granted under the Pre-IPO Share Option Scheme), and (iv) 2.35% of our Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue (assuming the exercise of the Over-allotment Option in full but without taking into account any Shares which may be issued upon any exercise of the options which have been granted under the Pre-IPO Share Option Scheme).

Details of the allocations of the Offer Shares to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around 15 December 2020.

Set out below is a breakdown of the anticipated number of Offer Shares to be subscribed by each of the Cornerstone Investors and the respective investment amounts:

Cornerstone Investor (as defined below)	Investment amount	Based on the Offer Price of HK$10.20 per Offer Share, being the low-end of the Offer Price Range					Based on the Offer Price of HK$11.68 per Offer Share, being the mid-point of the Offer Price Range					Based on the Offer Price of HK$13.16 per Offer Share, being the high-end of the Offer Price Range				
			Approximate percentage of Offer Shares		Approximate percentage of Shares held[1]			Approximate percentage of Offer Shares		Approximate percentage of Shares held[1]			Approximate percentage of Offer Shares		Approximate percentage of Shares held[1]	
		Number of Offer Shares to be subscribed[3]	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is exercised in full	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is exercised in full	Number of Offer Shares to be subscribed[3]	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is exercised in full	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is exercised in full	Number of Offer Shares to be subscribed[3]	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is exercised in full	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is exercised in full
BOCHK AM . .	HK$232,500,000	22,794,000	3.05%	2.65%	0.40%	0.39%	19,905,500	2.66%	2.32%	0.35%	0.34%	17,667,000	2.36%	2.06%	0.31%	0.30%
Dazhong Hong Kong	US$45,000,000 (approximately HK$348,750,000[2])	34,191,000	4.58%	3.98%	0.59%	0.58%	29,858,500	4.00%	3.48%	0.52%	0.51%	26,500,500	3.55%	3.08%	0.46%	0.45%
Fullerton Funds	US$30,000,000 (approximately HK$232,500,000[2])	22,794,000	3.05%	2.65%	0.40%	0.39%	19,905,500	2.66%	2.32%	0.35%	0.34%	17,667,000	2.36%	2.06%	0.31%	0.30%
Most Well	US$45,000,000 (approximately HK$348,750,000[2])	34,191,000	4.58%	3.98%	0.59%	0.58%	29,858,500	4.00%	3.48%	0.52%	0.51%	26,500,500	3.55%	3.08%	0.46%	0.45%
Poly Platinum	HK$271,250,000	26,593,000	3.56%	3.10%	0.46%	0.45%	23,223,000	3.11%	2.70%	0.40%	0.40%	20,611,500	2.76%	2.40%	0.36%	0.35%
VAM LLP	US$50,000,000 (approximately HK$387,500,000[2])	37,990,000	5.08%	4.42%	0.66%	0.65%	33,176,000	4.44%	3.86%	0.58%	0.57%	29,445,000	3.94%	3.43%	0.51%	0.50%
Total	approximately HK$1,821,250,000	178,553,000	23.90%	20.78%	3.1%	3.04%	155,927,000	20.87%	18.16%	2.72%	2.67%	138,391,500	18.52%	16.11%	2.41%	2.35%

Notes:

(1) Based on the number of Shares immediately after completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be issued upon any exercise of the options which have been granted under the Pre-IPO Share Option Scheme.

(2) The Hong Kong dollar equivalent is for reference only and is calculated based on an exchange rate of US$1.00 : HK$7.75. The actual investment amount in Hong Kong dollars will be calculated with reference to the applicable exchange rate one business day prior to the Price Determination Date.

(3) The number of Shares to be subscribed by each Cornerstone Investor has been rounded down to the nearest whole board lot of 500 Shares, taking into account the investment amount and the relevant Offer Price used for the calculation.

CORNERSTONE INVESTORS

The Cornerstone Investors will subscribe for the Offer Shares pursuant to, and as part of, the International Offering. To the best of the knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, independent of other Cornerstone Investors, independent of our Company and our connected persons, and not an existing Shareholder. All Cornerstone Investors were recommended and introduced to our Company by the Joint Global Coordinators and/or the Joint Bookrunners. Our Company did not have any relationship with any of the Cornerstone Investors prior to the introduction made by the Joint Global Coordinators and/or the Joint Bookrunners.

The Cornerstone Investors (a) will not have any representation on our Board immediately following the completion of the Global Offering, (b) will not subscribe for any Offer Shares pursuant to the Global Offering, other than pursuant to the relevant cornerstone investment agreements, and (c) do not have any preferential rights compared with other public Shareholders in their respective cornerstone investment agreements. There are also no side agreements or arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price. All Shares to be held by the Cornerstone Investors will be counted towards the public float of our Company.

None of the Cornerstone Investors is accustomed to take instructions from our Company, our Directors, the chief executive of our Company, our substantial Shareholders, our existing Shareholders or any of its subsidiaries or any of their respective close associates, in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in their name or otherwise held by them; and none of the subscription of the Offer Shares by the Cornerstone Investors is financed by our Company, our Directors, the chief executive of our Company, our substantial Shareholders, our existing Shareholders or any of its subsidiaries or any of their respective close associates.

Pursuant to the cornerstone investment agreements, the Cornerstone Investors have agreed to make full payment of the aggregate investment amount before Listing. There will be no deferred settlement or delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investors, and no Offer Shares will be borrowed by the Stabilising Manager from the Cornerstone Investors to cover over-allocations in the International Offering. The number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering, as described in "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation".

The Cornerstone Investors are reputable investors who are well-known by institutional and professional investors. We believe that the Cornerstone Placing could be perceived as the Cornerstone Investors' recognition of our reputation and value as well as their confidence in our business and future prospects. In addition, considering the size of the Global Offering, it is also common for other offerings of similar size to introduce cornerstone investors. We believe that the Cornerstone Placing would also enhance our profile within investors. Given the Cornerstone Investors are well-known investors, they would form part of a market-driven institutional shareholder base for us upon completion of the Global Offering, which would be beneficial to us.

We set out below further information about the Cornerstone Investors:

BOCHK Asset Management Limited

BOCHK Asset Management Limited ("**BOCHK AM**") was incorporated in Hong Kong with limited liability. BOCHK AM is licensed with the SFC to carry on business in Type 1 (dealing on securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. BOCHK AM is a wholly-owned subsidiary of BOC Hong Kong (Holdings) Limited (Stock Code: 2388.HK), a company listed on the Stock Exchange, and an indirect subsidiary of Bank of China Limited (Stock Code: 3988.HK and 601988.SH), a company listed on the Stock Exchange and Shanghai Stock Exchange. BOCHK AM has agreed to procure certain accounts under its management to subscribe for our Shares, namely BOCHKAM-Asia 1, BOCHKAM-Asia 2 and BOCHKAM-Asia 5 (the "**Investor Accounts**"). The Investor Accounts are managed by BOCHK AM as investment manager on a discretionary basis. The investment objectives of the Investor Accounts are to achieve capital appreciation by investing in the listed equity securities of companies, fixed income instruments and short term cash management products.

As BOCHK AM and BOCI Asia Limited, one of the Joint Bookrunners and the Underwriters of the Global Offering are both indirect subsidiaries of Bank of China Limited, BOCHK AM is therefore a member of the same group of companies as BOCI Asia Limited and a connected client of BOCI Asia Limited.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit BOCHK AM to participate in the Global Offering as a cornerstone investor subject to certain conditions. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Allocation of Shares to BOCHK AM" for details.

Dazhong (Hong Kong) International Corporation Limited

Dazhong (Hong Kong) International Corporation Limited ("**Dazhong Hong Kong**") is a limited liability company incorporated in Hong Kong in 2008 and a wholly-owned subsidiary and an overseas investment platform of Shanghai Dazhong Public Utilities (Group) Co., Ltd. (上海大眾公用事業(集團)股份有限公司) ("**Shanghai Dazhong**"). Shanghai Dazhong, a public company listed on the Main Board of Stock Exchange (Stock Code: 1635.HK) and the Shanghai Stock Exchange (Stock Code: 600635.SH), is a leading public utility service provider in Shanghai that complements its operations with strategic and financial investments in its associated companies in public utility and other industries.

Fullerton Funds

Fullerton Fund Management Company Ltd. ("**Fullerton**"), acting for and on behalf of (i) Fullerton Alpha – Relative Returns Asia ex-Japan Equities Fund and Fullerton Alpha – Asia Focus Equities Fund (being sub-funds of an umbrella investment fund organised under the laws of Singapore), and (ii) Fullerton Lux Funds – All China Equities, Fullerton Lux Funds – Asia Focus Equities and Fullerton Lux Funds – Asia Growth & Income Equities (being sub-funds of an umbrella investment fund organised under the laws of Luxembourg) (together, the "**Fullerton Funds**"), has agreed to participate in the Global Offering and invest in our Shares for the account of the Fullerton Funds as cornerstone investors on a discretionary basis.

Fullerton is an Asia-based investment specialist. Its expertise encompasses equities, fixed income, multi-assets, alternatives and treasury management, across public and private markets. Fullerton is headquartered in Singapore, and has associated offices in Shanghai, London, Tokyo and Brunei. It was incorporated in Singapore in 2003, and it is an indirect subsidiary of Temasek Holdings (Private) Limited, which in turn is owned by the Singapore Minister for Finance.

Most Well Investment Limited

Most Well Investment Limited ("**Most Well**") is one of the main investment platforms of CJ Capital Operation Group ("**CJ Capital**") and is indirectly wholly-owned by Changjia Group Int'l Holding Limited (together with its subsidiaries, the "**Changjia Group**"). Most Well was incorporated in 2007 under the laws of Hong Kong with limited liability. CJ Capital is one of the four major business segments of the Changjia Group, the investment of which covers domestic and foreign capital markets, focusing on industries including TMT, big consumption, modern services, health care, education, etc.

Changjia Group is a large multinational private enterprise group. It was founded and is now wholly owned by Mr. Zhao Changjia ("**Mr. Zhao**"), the chairman of the board of directors of the Changjia Group. Mr. Zhao was born in a family of traditional Chinese medicine and became a teacher at a university after his graduation. He founded the Changjia Group in 1992. In 1997, the Changjia Group moved its headquarters to Shanghai and currently operates its business under four major business segments: CJ Land Holding Group, CJ Asset Management Group, CJ Tour Group and CJ Capital Operation Group, through its dozens of wholly-owned subsidiaries and branches in the PRC and Hong Kong.

Poly Platinum Enterprises Limited

Poly Platinum Enterprises Limited ("**Poly Platinum**") is an investment holding company and was incorporated in the BVI on 9 November 2018. It is a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP (大灣區共同家園發展基金有限合夥) ("**Greater Bay Area Fund**"). The Greater Bay Area Fund is a private investment fund that was jointly established by international large-scale industrial institutions, financial institutions and new economic enterprises. The Greater Bay Area Fund is controlled by Greater Bay Area Homeland Development Fund (GP) Limited (大灣區共同家園發展基金(GP)有限公司) ("**GBAHD GP**") and under discretionary management by Greater Bay Area Development Fund Management Limited, a Type 1, Type 4 and Type 9 licensed corporation under the SFO. The Greater Bay Area Fund covers a range of activities, including venture capital, private equity investments and listed company investments and mergers and acquisitions. The objective of Greater Bay Area Fund is to grasp the historical opportunities of the development of Guangdong-Hong Kong-Macao Greater Bay Area, and the construction of an international innovation and technology hub, which focuses on technological innovation, industrial upgrading, quality of life, smart city and all other related industries. Poly Platinum is an investment holding company. Both GBAHD GP and GBAD Fund Management are wholly-owned by Greater Bay Area Homeland Investments Limited (大灣區共同家園投資有限公司) ("**GBAHIL**"), a company incorporated in Hong Kong with limited liability that was jointly owned by a number of international large-scale industrial institutions, financial institutions and new economic enterprises, each of which holds less than 15% shareholding in GBAHIL.

Veritas Asset Management LLP

Veritas Asset Management LLP ("**VAM LLP**") is an independently managed firm which is authorised and regulated by the Financial Conduct Authority in the United Kingdom. VAM LLP is incorporated as a limited liability partnership and is led by five managing partners, with offices in London and Hong Kong. VAM LLP is a long-only investor and focuses on making long-term investment into growing companies of the world specifically in the consumer, technology, and healthcare sectors.

Affiliated Managers Group, Inc., a company listed on the New York Stock Exchange (Stock Code: AMG.US), is the ultimate parent company of VAM LLP.

To the best of the knowledge, information and belief of our Company after making reasonable enquiries, (i) each of BOCHK AM, Fullerton and VAM LLP will use the existing funds managed by it as its sources of funding, and (ii) each of Dazhong Hong Kong, Poly Platinum and Most Well will use its internal resources as its sources of funding.

To the best of the knowledge, information and belief of our Company after making reasonable enquiries, none of the Cornerstone Investor is a listed company. While BOCHK AM, Dazhong Hong Kong and VAM LLP are subsidiaries of listed companies, to the best of the knowledge, information and belief of our Company after making reasonable enquiries, their respective parent companies do not require approval from their respective shareholders or approval from the relevant stock exchanges to make their investment in our Company pursuant to the terms and conditions of the relevant cornerstone investment agreements.

CONDITIONS PRECEDENT

The subscription of each Cornerstone Investor is subject to the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (on behalf of themselves and the Underwriters);

(c) the Stock Exchange having granted the listing of, and permission to deal in, our Shares (including the Offer Shares to be subscribed by the Cornerstone Investor as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in our Shares on the Stock Exchange;

(d) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the subscription of the Offer Shares by the Cornerstone Investor under the relevant cornerstone investment agreement, and there being no orders or injunctions from a court of competent jurisdiction in effect which precludes or prohibits consummation of such transactions; and

(e) the representations, warranties, undertakings and confirmations of the Cornerstone Investors under the relevant cornerstone investment agreements remaining true and accurate in all respects and not misleading and there is no breach of the relevant cornerstone investment agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), (a) dispose of any of the Offer Shares they have purchased pursuant to the relevant cornerstone investment agreements, (b) enter into any transaction directly or indirectly with the same economic effect as the aforesaid transaction, or (c) agree or contract to, or publicly announce, any of the foregoing transactions, save for certain limited circumstances (if applicable), such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

In preparation of the Global Offering, our Company has sought the following waivers from strict compliance with certain provisions of the Listing Rules and an exemption from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

1. Waiver in Relation to Non-Exempt Continuing Connected Transactions

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing. Accordingly, our Company has applied to the Stock Exchange for, and has been granted, a waiver from strict compliance with the announcement requirement in relation to the continuing connected transactions between us and Daoming Company under Chapter 14A of the Listing Rules. Apart from the announcement requirements for which waiver has been sought, we will comply with the relevant requirements under Chapter 14A of the Listing Rules. Please refer to the section headed "Connected Transactions" for details.

2. Waiver and Exemption in Relation to the Pre-IPO Share Option Scheme

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company (the "**Share Options Disclosure Requirements**"):

(a) Rule 17.02(1)(b) of the Listing Rules requires our Company to disclose in this prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon Listing as well as the impact on the earnings per share arising from the exercise of such outstanding options;

(b) paragraph 27 of Appendix 1A to the Listing Rules requires our Company to set out in this prospectus particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee; and

(c) section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to be issued, circulated or distributed in Hong Kong to include, among other information, the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to set out in this prospectus, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely (a) the period during which it is exercisable, (b) the price to be paid for shares and debentures subscribed for under it, (c) the consideration (if any) given or to be given for it or for the right to it, and (d) the names and addresses of the persons to whom it was given.

Guidance Letter HKEX-GL11-09 issued by the Stock Exchange provides that the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

Pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

On 23 September 2020, our Company has granted options under the Pre-IPO Share Option Scheme to 684 grantees, including three Directors and seven members of the senior management of our Group, to subscribe for an aggregate of 61,651,000 Shares. As at the Latest Practicable Date, no Shares have been issued pursuant to the exercise of such options. Our Shares underlying the options granted represent approximately 1.07% of the total number of Shares in issue immediately after completion of the Global Offering (assuming no exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue. For further details of our Pre-IPO Share Option Scheme, please refer to the section headed "Appendix V – Statutory and General Information – D. Pre-IPO Share Option Scheme".

Our Company has applied to the Stock Exchange and the SFC, respectively, for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under section 342(1) of and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the options granted under the Pre-IPO Share Option Scheme, on the ground that strict compliance with the Share Options Disclosure Requirements would be unduly burdensome for our Company for the following reasons:

(a) given that 684 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-IPO Share Option Scheme in this prospectus would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation, preparation and printing;

(b) the grantees under the Pre-IPO Share Option Scheme consist of three Directors and seven members of the senior management of our Group, and the other 674 grantees who are existing employees and Business Associates of our Group and are not senior management of our Group or connected persons of our Company. Strict compliance with the applicable Share Options Disclosure Requirements to disclose names, addresses, and entitlements on an individual basis in this prospectus will require a substantial volume of additional disclosure that does not provide any material information to the investing public;

(c) non-compliance with the Share Options Disclosure Requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

(d) material information relating to the options under the Pre-IPO Share Option Scheme has been disclosed in this prospectus, including the total number of Shares subject to the Pre-IPO Share Option Scheme, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Scheme. Our Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of our Company in their investment decision making process (including, but not limited, to any effect of the options granted on the financial position of our Company) has been included in this prospectus.

In light of the above, our Directors are of the view that the granting of the waiver and exemption sought under this application will not prejudice the interest of the investing public.

The Stock Exchange has granted to our Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix 1 to the Listing Rules with respect to the options granted under the Pre-IPO Share Option Scheme on the condition that:

(i) a certificate of exemption from strict compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance be granted by the SFC and the particulars of the exemption be disclosed in this prospectus;

(ii) the following information and particulars be disclosed in this prospectus:

(a) on an individual basis, full details of the options granted by our Company to the three Directors, seven members of the senior management of our Group and connected persons of our Company who are not Directors or members of the senior management of our Group (together, the "**Disclosed Option Grantees**"), including all the particulars required under the Share Options Disclosure Requirements;

(b) in respect of the options granted by our Company under the Pre-IPO Share Option Scheme to 674 existing employees and Business Associates of our Group, who are not Disclosed Option Grantees (the "**Other Grantees**"): (1) the aggregate number of the Other Grantees, (2) the aggregate number of Shares underlying the options, (3) the consideration paid for the grant of options or an appropriate negative statement, (4) the exercise period of the options; and (5) exercise price of the options;

(c) the aggregate number of Shares subject to the outstanding options, the percentage of our Company's issued share capital represented by such number of Shares and the dilutive effect and impact on earnings per Share upon the full exercise of the options under the Pre-IPO Share Option Scheme;

(d) a summary of the major terms of the Pre-IPO Share Option Scheme in the section headed "Appendix V – Statutory and General Information – D. Pre-IPO Share Option Scheme"; and

(e) the particulars of the waiver will be disclosed in this prospectus; and

(iii) a full list of all the grantees with all the particulars as required under the Share Options Disclosure Requirements will be made available for public inspection as set forth in the section headed "Appendix VI – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – Documents Available for Inspection".

The SFC has agreed to grant to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements under section 342(1) of and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the options granted under the Pre-IPO Share Option Scheme on the condition that:

(a) on an individual basis, full details of the options granted by our Company under the Pre-IPO Share Option Scheme to each of our Directors, members of the senior management of our Group, and connected persons of our Company (being the Disclosed Option Grantees) are disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options granted by our Company under the Pre-IPO Share Option Scheme to grantees other than those set out in (a) above (being the Other Grantees), the following details are disclosed in this prospectus: (1) the aggregate number of grantees and number of Shares subject to the options, (2) the consideration paid for the grant of the options, and (3) the exercise period and exercise price for the options;

(c) a full list of all the grantees (including those persons referred to in (a) above) who have been granted the options under the Pre-IPO Share Option Scheme, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection as set forth in the section headed "Appendix VI – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – Documents Available for Inspection";

(d) the particulars of the exemption will be disclosed in this prospectus; and

(e) the Company's prospectus will be issued on or before 4 December 2020.

For further details of our Pre-IPO Share Option Scheme, please refer to the section headed "Appendix V – Statutory and General Information – D. Pre-IPO Share Option Scheme".

3. Waiver in relation to Subscription for Shares by an Existing Shareholder

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought if (i) no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of the securities and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved. Paragraph 5(2) of Appendix 6 to the Listing Rules provides, among other things, that, without the prior written consent of the Stock Exchange, no allocations will be permitted to existing shareholders or their close associates, whether in their own names or through nominees, unless certain conditions are fulfilled.

Pursuant to the Shareholders Agreement, HCM was granted the Anti-Dilution Option and it has partially exercised the Anti-Dilution Option granted to it, and the HCM Entities will subscribe for (a) 34,500,000 Offer Shares under the Global Offering (assuming the Over-allotment Option is not exercised) or (b) 44,922,500 Offer Shares under the Global Offering (assuming the Over-allotment Option is exercised in full), which will enable the HCM Entities to maintain their aggregate shareholding in our Company upon completion of the Global Offering of 9.3%. If the Over-allotment Option is exercised in part only, the HCM Entities will subscribe for such number of Offer Shares which will result in the HCM Entities holding 9.3% shareholding in our Company following the exercise of the Over-allotment Option. Please refer to the section headed "History, Reorganisation and Corporate Structure — Special Rights" for more details.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of the Listing Rules and paragraph 5(2) of Appendix 6 to the Listing Rules in respect of the Anti-dilution Subscription based on the following reasons and/or conditions:

(a) The Anti-Dilution Option is a pre-existing contractual right granted to HCM at the time it became a shareholder of Aswann in 2010 and was agreed on an arm's length basis in the Shareholders Agreement. Therefore, the Anti-dilution Subscription is to give effect to the commercial intention and agreement between Aswann, our Company and HCM;

(b) The Anti-dilution Subscription is not intended to give HCM any preferential treatment over public investors nor to violate the requirements under Rule 10.04 and Paragraph 5(2) of Appendix 6 of the Listing Rules, but is instead for the purpose of satisfying HCM's pre-existing contractual right to maintain its shareholding as set out in the Shareholders Agreement and to discharge our Company's obligation under the Shareholders Agreement. The exercise of the Anti-Dilution Option by HCM is permitted at the time of the Global Offering pursuant to Paragraph 3.10 of HKEX-GL43-12;

(c) The Anti-dilution Subscription will be made at the Offer Price and on the same terms as all other Offer Shares being offered to other investors in the Global Offering;

(d) HCM has agreed to be subject to a lock-up period of six months from the Listing Date in respect of our Shares held by it immediately before the Global Offering (including Shares to be issued to HCM under the Capitalisation Issue but excluding the Offer Shares to be subscribed by the HCM Entities under the Global Offering pursuant to the exercise of the Anti-Dilution Option);

(e) Full disclosure of the details of HCM's contractual entitlement to subscribe for the Offer Shares, details of the Anti-dilution Subscription, and the allocation of the number of Offer Shares pursuant to the exercise of the Anti-Dilution Subscription will be made in this prospectus and the allotment results announcement;

(f) The Anti-Dilution Subscription will not result in the interest held by the HCM Entities in our Company upon completion of the Global Offering exceeding the interest held by HCM immediately prior to the Global Offering;

(g) The Company, the Joint Bookrunners and the Joint Sponsors will confirm to the Stock Exchange in writing that no preferential treatment, other than the assured allocation, will be given to the HCM Entities as placee(s) in the International Offering;

(h) Our Shares held by the HCM Entities will be counted towards the public float, and subject to the public float waiver being granted, the minimum prescribed public float of our Shares will be in compliance with the requirements of the Stock Exchange upon completion of the Global Offering;

(i) The Offer Shares to be subscribed by the HCM Entities will form part of the International Offering and would therefore not have any impact on the Offer Shares to be offered to public investors in the Hong Kong Public Offering; and

(j) The Anti-dilution Subscription shows HCM's continued support and confidence in our Company and this would facilitate the marketing of, and increase investors' confidence in, the Global Offering.

4. Waiver in respect of Public Float Requirements

Rule 8.08(1)(a) of the Listing Rules provides that there must be an open market in the securities for which listing is sought. It normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital.

We have applied to the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules to grant, and the Stock Exchange has granted, a waiver from strict compliance with the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules so that the minimum percentage of our Shares from time to time held by the public will be the highest of:

(a) 22.58% of the total issued share capital of our Company; or

(b) such percentage of Shares to be held by the public after the exercise of the Over-allotment Option.

This waiver was granted on the basis that (a) our minimum market capitalisation is expected to be approximately HK$58.62 billion, which is significantly larger than HK$10 billion at the time of Listing and there will be an open market for our Shares upon completion of the Global Offering, (b) we have significant offering size and there will be sufficient liquidity in our Shares notwithstanding a reduction in the minimum public float set out in Rule 8.08(1)(a) of the Listing Rules, (c) there will be broad distribution of our Shares which will enable the market to operate properly, (d) disclosure will be made in respect of the lower prescribed public float in this prospectus and we will confirm the sufficiency of public float in our annual reports after Listing, and (e) we will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float.

5. Allocation of Shares to BOCHK AM

Paragraph 5(1) of Appendix 6 to the Listing Rules provides that, unless with the prior written consent of the Stock Exchange, no allocations will be permitted to "connected clients" (as defined under the Listing Rules) of the lead broker or of any distributors.

On 2 December 2020, our Company entered into a cornerstone investment agreement with, among others, BOCHK Asset Management Limited ("**BOCHK AM**"), pursuant to which BOCHK AM has agreed to procure certain managed accounts to subscribe for the Offer Shares at the Offer Price in accordance with the terms thereunder. BOCHK AM is a member of the same group of companies as BOCI Asia Limited ("**BOCI**"), a Joint Bookrunner of the Global Offering, and therefore is a "connected client" of BOCI.

We have applied for, and the Stock Exchange has granted, a consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit BOCHK AM to participate in the Global Offering as a cornerstone investor subject to the following conditions:

(a) BOCHK AM will hold the Shares in accounts on behalf of independent third parties;

(b) the cornerstone investment agreement entered into with BOCHK AM does not contain any material terms which are more favourable to BOCHK AM than those in other cornerstone investment agreements;

(c) BOCI has not participated, and will not participate, in the decision-making process or relevant discussions among our Company, the Joint Bookrunners and the Underwriters as to whether BOCHK AM will be selected as a cornerstone investor;

(d) no preferential treatment has been, nor will be, given to BOCHK AM by virtue of its relationship with BOCI other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in HKEX-GL51-13;

(e) each of our Company, the Joint Sponsors, the Joint Bookrunners, BOCI and BOCHK AM has provided the Stock Exchange a written confirmation in accordance with HKEX-GL85-16; and

(f) details of the allocation to BOCHK AM has been / will be disclosed in this prospectus and the allotment results announcement to be issued by our Company.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Citigroup Global Markets Asia Limited
Merrill Lynch (Asia Pacific) Limited
BNP Paribas Securities (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited
UBS AG Hong Kong Branch
ABCI Securities Company Limited
BOCI Asia Limited
CCB International Capital Limited
CMBC Securities Company Limited
CMB International Capital Limited
Futu Securities International (Hong Kong) Limited
ICBC International Securities Limited
UOB Kay Hian (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 74,713,000 Hong Kong Offer Shares and the International Offering of initially 672,413,500 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 3 December 2020. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), by giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect:

(a) there shall develop, occur, exist or come into force:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation or adverse mutation of diseases (including, without limitation, COVID-19), comprehensive sanctions, strikes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed) or paralysis in government operations) in or affecting the Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to our Group (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**");

(ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by the relevant competent authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(v) any new law or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or any competent governmental authority in or affecting any of the Relevant Jurisdictions;

(vi) the imposition of comprehensive sanctions under any sanctions laws in, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form in any of the Relevant Jurisdictions;

(vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or any change in any exchange control, in any of the Relevant Jurisdictions or materailly and adversely affecting an investment in the Offer Shares;

(viii) other than with the prior written consent of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus, any Application Forms or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;

(ix) an order or petition for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group;

(x) any litigation, dispute, legal action or claim or regulatory investigation or action being threatened, instigated or announced against any member of our Group or any executive Director;

(xi) any contravention by any member of our Group or any Director of any applicable laws or the Listing Rules;

(xii) any non-compliance by our Company of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws;

(xiii) any of the executive Directors vacating his or her office;

(xiv) any of the executive Directors being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xv) a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(1) has or will or is likely to result in a material adverse change in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholder's equity, profit, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole;

(2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering;

(3) makes or will make or is likely to make it inadvisable or impracticable for the Global Offering to proceed or to market the Global Offering; or

(4) has or will or is likely to have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof,

and provided that in respect of any epidemic, pandemic, outbreaks, escalation or adverse mutation relating to COVID-19 referred to in paragraph (i) above, the Joint Global Coordinators shall only be entitled to terminate the Hong Kong Underwriting Agreement in accordance with such paragraph if, in their reasonable opinion, there has been an escalation in any such epidemic, pandemic, outbreaks, escalation or adverse mutation relating to COVID-19 after the date of the Hong Kong Underwriting Agreement; or

(b) there has come to the notice of the Joint Global Coordinators that:

(i) any statement of material fact contained in this prospectus, the Application Forms, the formal notice in connection with the Hong Kong Public Offering and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto (the "**Offering Documents**") but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect or inaccurate in any material respects or misleading, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offering Documents;

(iii) there is a breach of, or any event or circumstance rendering untrue, incorrect or misleading in any respect, any of the warranties given by our Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(iv) there is a material breach of any of the obligations imposed upon our Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(v) there is an event, act or omission which gives or is likely to give rise to any liability of our Company pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(vi) there is any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole;

(vii) the approval of the Stock Exchange of the listing of, and permission to deal in, our Shares in issue and to be issued or sold pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld in writing;

(viii) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(ix) our Company withdraws the Offering Documents or the Global Offering;

(x) there is a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering.

LOCK UP ARRANGEMENTS

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that we will not exercise our power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into 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 (a) pursuant to the Global Offering or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 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 (including pursuant to the Stock Borrowing Agreement), it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of her/its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which she/it is shown by this prospectus to be the beneficial owner; or

(b) in the period of six months from the expiry of the First Six-Month Period, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any such Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, she/it would cease to be a Controlling Shareholder of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/its holding of Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, she/it will and will procure that the relevant registered holder(s) will:

(1) when she/it pledges or charges any Shares beneficially owned by her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(2) when she/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (1) and (2) above by our Controlling Shareholders and disclose such matters by way of an announcement.

Undertakings by our Company pursuant to the Hong Kong Underwriting Agreement

Our Company has undertaken to the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Hong Kong Underwriters not to (save for the issue, offer or sale of the Offer Shares by our Company pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option) or the grant of options and the issue of Shares by our Company pursuant to the Pre-IPO Share Option Scheme), without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the last date of the First Six-Month Period:

(a) offer, allot, issue, sell, accept subscription for, contract or agree to allot, issue or sell, grant or sell any option, warrant, right or contract to subscribe for or purchase, grant or purchase any option warrant, right or contract to allot, issue or sell, or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable 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

(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 equity securities of our Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company); or

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) offer to or contract to or agree to announce, or publicly disclose that our Company will or may enter into any such transaction described in paragraphs (a), (b) or (c) above,

in each case, whether any such transaction described in paragraphs (a), (b) or (c) above is to be settled by delivery of the Shares or other equity securities of our Company, in cash or otherwise (whether or not the issue of such Shares or other equity securities of our Company will be completed within the First Six-Month Period), provided that the foregoing restrictions shall not apply to the issue of the Shares by our Company pursuant to the Global Offering. For the avoidance of doubt, paragraph (a) above shall not apply to any issue of debt securities by our Company which are not convertible into equity securities of our Company or of any other member of our Group.

In the event that, during the period of six months immediately following the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any such transactions or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, our Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other equity securities of our Company.

Undertakings by our Controlling Shareholders pursuant to the Deed of Lock-up Undertaking

Pursuant to a deed of lock-up undertaking dated 3 December 2020, each of our Controlling Shareholders jointly and severally has undertaken to our Company, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors that:

(A) it/she will not, and will procure that none of the relevant registered holder(s) or any company controlled by it/her or any nominee or trustee holding in trust for it/her will:

(a) at any time during the period commencing on the date of the deed of lock-up undertaking, and ending on last date of the First Six-Month Period:

(i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, grant, or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest in any of the foregoing (including, but not limited to, any securities that are 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) held by or beneficially owned by it/her as at the Listing Date (the "**Locked-up Securities**"); or

(ii) 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 Locked-up Securities; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to or publicly disclose any intention that it/she will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of such Shares or other securities of our Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period);

(b) during the Second Six-Month Period, enter into any transaction described in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offer, agree or publicly announce any intention to enter into any such transaction, if, immediately following such transaction, it/she will cease, whether individually or collectively with our other Controlling Shareholders, to be a controlling shareholder of our Company;

(B) at any time from the date of this deed of lock-up undertaking up to and including the date falling 12 months after the Listing Date, it/she will:

(i) if and when it/she or the relevant registered holder(s) pledges or charges any Shares or other securities of our Company beneficially owned by it/her in favour of an authorised institution (as defined in the Banking Ordinance), immediately inform our Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or other securities (or interests therein) of our Company so pledged or charged; and

(ii) if and when it/she or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities (or interests therein) of our Company will be disposed of, immediately inform our Company and the Joint Global Coordinators in writing of such indications.

For the avoidance of doubt, the lock-up undertakings by our Controlling Shareholders referred to above shall not:

(a) prevent any of our Controlling Shareholders from transferring any Locked-up Securities (i) as may be required by applicable law or regulation, (ii) through the lending of Shares pursuant to the Stock Borrowing Agreement; (iii) with the prior written consent of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters or (iv) to the extent permitted by applicable law or regulation, to any companies wholly owned by it/her or to any trusts for the direct or indirect benefit of it/her or her immediate family, provided that such companies or the trustees of such trusts, as the case may be, agree to be bound in writing by the restrictions set forth in the deed of lock-up undertaking, and provided further that any such transfer shall not involve a disposition for value; or

(b) (i) apply to any Shares acquired by any of our Controlling Shareholders subsequent to the completion of the Global Offering, or (ii) prevent any of the Controlling Shareholders from using the Locked-up Securities beneficially owned by it/her as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan, provided that such Controlling Shareholder complies with the requirements set out in paragraph (B) above.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any 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 our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International

Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure purchasers for, or purchase themselves, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. Please refer to the section headed "Structure of the Global Offering – The International Offering" for details.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an aggregate of 112,068,500 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. The number of Option Shares includes the Shares to be issued to the HCM Entities pursuant to its exercise of the Anti-Dilution Option, in the event that the whole or part of the Over-allotment Option is exercised. Please refer to the section headed "Structure of the Global Offering – Over-allotment Option" for details.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 1.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters may receive a discretionary incentive fee of up to 0.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$11.68 per Offer Share (which is the mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$200.7 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$260.3 million (assuming an Offer Price of HK$11.68 per Offer Share (which is the mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and exercise of the Over-allotment Option in full) and will be paid by our Company.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to our Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of our Shares (whose financing may be secured by our Shares) in the Global Offering, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our Shares, which may have a negative impact on the trading price of 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 Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock 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 such activities may occur both during and after the end of the stabilising period described in the section headed "Structure of the Global Offering". Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and each of our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus.

747,126,500 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 74,713,000 Shares (subject to reallocation) in Hong Kong as described in the subsection headed "The Hong Kong Public Offering"; and

(b) the International Offering of initially 672,143,500 Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the subsection headed "The International Offering" below.

Investors may either:

(a) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(b) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 13.00% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 14.66% of the total Shares in issue immediately following the completion of the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 74,713,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.3% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the subsection headed "Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could 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.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 37,356,500 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 224,138,000 Offer Shares (in the case of (a)), 298,851,000 Offer Shares (in the case of (b)) and 373,563,500 Offer Shares (in the case of (c)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

The Joint Global Coordinators may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL-91-18. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering provided that the Offer Price would be set at HK$10.20 (low-end of the Offer Price Range), up to 74,713,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 149,426,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has 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 International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK$13.16 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$6,646.31 for one board lot of 500

Shares. If the Offer Price, as finally determined in the manner described in the subsection headed "Pricing and Allocation" below, is less than the Maximum Offer Price of HK$13.16 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Please refer to the section headed "How to Apply for Hong Kong Offer Shares" for details.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 672,413,500 Shares being offered by our Company, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 11.7% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the subsection headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection headed "The Hong Kong Public Offering – Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 112,068,500 additional Shares (the "**Option Shares**"), representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any. The number of Option Shares includes the Shares to be issued to the HCM Entities pursuant to its exercise of the Anti-Dilution Option, in the event that the whole or part of the Over-allotment Option is exercised.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.9% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager (or any person acting for it) to conduct any such stabilising action. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager (or any person acting for it) and in what the Stabilising Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (b) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (c) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in our Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of our Shares;

(d) no stabilising action can be taken to support the price of our Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on Friday, 8 January 2021, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

(e) the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

(f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may choose to borrow up to 101,646,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option less the shares to be issued to the HCM Entities pursuant to its exercise of the Anti-Dilution Option) from ZED, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilising Manager (or any person acting for it) and ZED on or about the Price Determination Date.

If the Stock Borrowing Agreement with ZED is entered into, the borrowing of Shares will only be effected by the Stabilising Manager (or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not 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, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to ZED or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to ZED by the Stabilising Manager (or any person acting for it) in relation to such shares borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, 9 December 2020 and, in any event, no later than Tuesday, 15 December 2020, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$13.16 per Offer Share and is expected to be not less than HK$10.20 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK$13.16 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$6,646.31 for one board lot of 500 Shares. **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 Minimum Offer Price stated in this prospectus**.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering 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, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered and/or the 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, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of our Company and the Stock Exchange at **www.bluemoon.com.cn** and **www.hkexnews.hk**, respectively, notices of the reduction. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price Range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares – D. Publication of Results".

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (on behalf of the Underwriters) and our Company agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or before Tuesday, 15 December 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at **www.bluemoon.com.cn** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – F. Refund of Application Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Wednesday, 16 December 2020, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN OUR SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 16 December 2020, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 16 December 2020.

Our Shares will be traded in board lots of 500 Shares each and the stock code of our Shares will be 6993.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the White Form eIPO service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators, as our Company's agents, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the White Form eIPO service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of our Company's subsidiaries;
- you are a director or chief executive of our Company and/or any of our Company's subsidiaries;
- you are a close associate of any of the above persons;
- you are a connected person of our Company or a person who will become a connected person of our Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Shares or otherwise participated in the International Offering.

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 the **White Form eIPO** service at **www.eipo.com.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 a prospectus during normal business hours from 9:00 a.m. (in respect of (a) below) or 10:00 a.m. (in respect of (b) below) on Friday, 4 December 2020 until 12:00 noon on Wednesday, 9 December 2020 from:

(a) any of the following offices of the below Joint Global Coordinators:

(i) **China International Capital Corporation Hong Kong Securities Limited**, at 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong;

(ii) **Merrill Lynch (Asia Pacific) Limited**, at Level 55, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong;

(iii) **BNP Paribas Securities (Asia) Limited**, at 59/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong;

(iv) **The Hongkong and Shanghai Banking Corporation Limited**, at HSBC Main Building, 1 Queen's Road Central, Hong Kong; and

(v) **UBS AG Hong Kong Branch**, at 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(b) any of the following branches of the receiving banks for the Hong Kong Public Offering:

(i) **China Construction Bank (Asia) Corporation Limited**

	Branch Name	Address
Hong Kong Islands	Central Branch	6 Des Voeux Road Central Central
	Causeway Bay Plaza Branch	G/F, Causeway Bay Plaza 1 Causeway Bay
Kowloon	Mongkok Nathan Road Branch	788 Nathan Road Mongkok
	Kwun Tong Hoi Yuen Road Branch	56 Hoi Yuen Road Kwun Tong
New Territories	Yuen Long Branch	68 Castle Peak Road Yuen Long

(ii) **Standard Chartered Bank (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island	188 Des Voeux Road Branch	Shop No. 7 on G/F, whole of 1/F–3/F Golden Centre 188 Des Voeux Road Central Hong Kong
	Quarry Bay Branch	G/F, Westlands Gardens 1027 King's Road Quarry Bay
Kowloon	Tsimshatsui Branch	Shop G30 & B117–23 G/F, Mira Place One 132 Nathan Road Tsim Sha Tsui
	Telford Gardens Branch	Shop P9–12, Telford Centre Telford Gardens Tai Yip Street Kowloon Bay

	Branch Name	Address
New Territories	Tseung Kwan O Branch	Shop G37–40, G/F Hau Tak Shopping Centre East Wing Hau Tak Estate Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 4 December 2020 until 12:00 noon on Wednesday, 9 December 2020 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or

- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to **"CCB NOMINEES LIMITED – BLUE MOON PUBLIC OFFER"** for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above at the following times:

Friday, 4 December 2020	–	10:00 a.m. to 5:00 p.m.
Saturday, 5 December 2020	–	10:00 a.m. to 1:00 p.m.
Monday, 7 December 2020	–	10:00 a.m. to 5:00 p.m.
Tuesday, 8 December 2020	–	10:00 a.m. to 5:00 p.m.
Wednesday, 9 December 2020	–	10:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 9 December 2020, the last day for applications, or such later time as described in the subsection headed "C. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **White Form eIPO** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Memorandum of Association and the Articles of Association of our Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Law;

(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 be bound by them;

(d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

(f) agree that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, our Controlling Shareholders, any of their or our Company's respective directors, officers, agents, or representatives or advisers or any other person involved in the Global Offering (the "**Relevant Persons**") and the White Form eIPO Service Provider is or will be liable for any 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 International Offer Shares nor participated in the International Offering;

(h) agree to disclose to our Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which any of them 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 neither our Company nor the Relevant Persons will breach any laws 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 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 (within the meaning of 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) authorise (i) our Company to place your name(s) or the name of HKSCC Nominees on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Memorandum of Association and the Articles of Association of our Company and (ii) our Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the subsection headed "Personal Collection" below to collect the Share certificate(s) and/or refund cheque(s) in person;

(p) understand that the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering and in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 149,426,000 Offer Shares). Further details of the reallocation are stated in the paragraph headed "Structure of the Global Offering" in this Prospectus;

(q) 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;

(r) understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(s) (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 through the **White Form eIPO** service or by any one as your agent or by any other person; and

(t) (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 its agent.

Additional Instructions for YELLOW Application Forms

You should refer to the **YELLOW** Application Form for details.

5. Applying through the White Form eIPO Service

General

Individuals who meet the criteria in the subsection headed "2. Who Can Apply" above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO Service Provider.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, 4 December 2020 until 11:30 a.m. on Wednesday, 9 December 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 9 December 2020, the last day for applications, or such later time as described in the subsection headed "C. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** 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.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "BLUE MOON GROUP HOLDINGS LIMITED" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form. You can also collect a prospectus from 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 authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and the 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:

(a) 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; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as its agent;

- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- authorise our Company to place HKSCC Nominees' name on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

- agree that neither our Company nor the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company, and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding for this purpose 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 on or before the fifth day after the time of opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by our Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Memorandum and Articles of Association of our Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Law; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with 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 will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and 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 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
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 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(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 4 December 2020	**–**	**9:00 a.m. to 8:30 p.m.**
Monday, 7 December 2020	**–**	**8:00 a.m. to 8:30 p.m.**
Tuesday, 8 December 2020	**–**	**8:00 a.m. to 8.30 p.m.**
Wednesday, 9 December 2020	**–**	**8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 4 December 2020 until 12:00 noon on Wednesday, 9 December 2020 (24 hours daily, except on Wednesday, 9 December 2020, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 9 December 2020, the last day for applications, or such later time as described in the subsection headed "C. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

Note:

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

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 will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The application for 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 **White Form eIPO** service is only a facility provided by the White Form eIPO 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 day for applications to make your electronic application. Our Company, the Relevant Persons and the White Form eIPO Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated 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 instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 9 December 2020, the last day for applications, or such later time as described in the subsection headed "C. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees," you must include:

- an account number; or
- some other identification code

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of our Board;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our 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).

B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The Maximum Offer Price is HK$13.16 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK$6,646.31.

You must pay the Maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong 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.eipo.com.hk.**

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see the section headed "Structure of the Global Offering – Pricing and Allocation".

C. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 9 December 2020. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions 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 Wednesday, 9 December 2020 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made.

D. PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Tuesday, 15 December 2020 on the websites of our Company at **www.bluemoon.com.cn** and 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 available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of our Company and the Stock Exchange at **www.bluemoon.com.cn** and **www.hkexnews.hk**, respectively, by no later than 9:00 a.m. on Tuesday, 15 December 2020;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Tuesday, 15 December 2020 to 12:00 midnight on Monday, 21 December 2020;
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Tuesday, 15 December 2020 to Friday, 18 December 2020; and
- in the special allocation results booklets which will be available for inspection during the opening hours of the individual receiving banks' designated branches referred to above from Tuesday, 15 December 2020 to Thursday, 17 December 2020.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section headed "Structure of the Global Offering".

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.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, 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 opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), in the following circumstances:

(i) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or 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) which excludes or limits that person's responsibility for this prospectus; or

(ii) if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the White Form eIPO 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 reasons.

(c) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications;
- 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 Offer Shares;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- you apply for more than 37,356,500 Hong Kong Offer Shares, being 50% of the 74,713,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- our Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. 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 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in the section headed "Structure of the Global Offering – Conditions of the Global Offering" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, 15 December 2020.

G. DISPATCH/COLLECTION OF SHARE CERTIFICATES/E-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form(s), 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 allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Offer Shares allocated to you will be deposited into CCASS as described below); and

(b) refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong

Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the Maximum Offer Price paid on application in the event that the Offer Price is less than the Maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% 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. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque.

Subject to arrangement on dispatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Tuesday, 15 December 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 16 December 2020, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form:

- If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 December 2020, or any other place or date notified by our Company in the newspapers.

- If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorised representative must provide a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

- If you do not personally collect your refund cheque(s) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be dispatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Tuesday, 15 December 2020 by ordinary post and 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 and have provided all information required by your Application Form, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on or before Tuesday, 15 December 2020 by ordinary post and at your own risk.

- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 15 December 2020 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- If you apply as a CCASS Investor Participant, our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Tuesday, 15 December 2020 in the manner as described in the subsection headed "D. Publication of Results" above.

- You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 December 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. 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.

(c) ***If you apply through White Form eIPO service:***

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 December 2020, or any other place or date notified by our Company in the newspapers as the date of dispatch or collection of Share certificates.

- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, 15 December 2020 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(d) If you apply by giving electronic application instructions to HKSCC via CCASS:

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 15 December 2020 or on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in the subsection headed "D. Publication of Results" above on Tuesday, 15 December 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 December 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allocated 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 allocated 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 Tuesday, 15 December 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and 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 Tuesday, 15 December 2020.

H. ADMISSION OF OUR SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-3, received from our Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of our Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BLUE MOON GROUP HOLDINGS LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED AND MERRILL LYNCH FAR EAST LIMITED

Introduction

We report on the historical financial information of Blue Moon Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-70, which comprises the consolidated balance sheets as at 31 December 2017, 2018 and 2019 and 30 June 2020, the Company balance sheets as at 31 December 2017, 2018 and 2019 and 30 June 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 (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-70 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 4 December 2020 (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 the 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 set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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, *Accountant's Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("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.

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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 accountant's 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 accountant considers 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 set out in Note 2.1 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 purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2017, 2018 and 2019 and 30 June 2020 and the consolidated financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative 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 inquiries, 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 Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 11 to the Historical Financial Information which contains information about the dividend paid by Blue Moon Group Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
4 December 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Six months ended 30 June	
		2017	**2018**	**2019**	**2019**	**2020**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	5	5,632,033	6,767,945	7,049,905	2,720,350	2,435,868
Cost of sales	7	(2,636,910)	(2,881,644)	(2,526,895)	(1,048,635)	(877,265)
Gross profit		2,995,123	3,886,301	4,523,010	1,671,715	1,558,603
Other income and other gains, net	6	23,097	37,446	51,522	34,673	39,768
Selling and distribution expenses	7	(2,068,649)	(2,547,972)	(2,323,123)	(1,030,713)	(816,386)
General and administrative expenses	7	(776,271)	(632,774)	(747,765)	(328,924)	(346,154)
Net (provision for)/reversal of impairment losses of financial assets	18	(16,073)	6,151	(1,867)	226	(6,459)
Operating profit		157,227	749,152	1,501,777	346,977	429,372
Finance income	9	3,126	6,218	5,652	2,154	4,136
Finance costs	9	(47,123)	(53,455)	(32,188)	(20,328)	(4,703)
Finance costs, net	9	(43,997)	(47,237)	(26,536)	(18,174)	(567)
Profit before income tax		113,230	701,915	1,475,241	328,803	428,805
Income tax expense	10	(27,071)	(147,930)	(395,624)	(110,847)	(126,612)
Profit for the year/period attributable to owners of the Company		86,159	553,985	1,079,617	217,956	302,193
Other comprehensive income/(loss)						
Item that may be reclassified subsequently to profit or loss						
Exchange differences from translation of financial statements of subsidiaries		89,044	(65,042)	(74,321)	(29,206)	(49,600)
Profit and total comprehensive income for the year/period		175,203	488,943	1,005,296	188,750	252,593
Earnings per share	12	HK$8,616	HK$55,399	HK$107,962	HK$21,796	HK$30,219

CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at June 30 2020
		HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets					
Intangible assets	14	97,143	100,779	146,943	139,460
Property, plant and equipment	15	1,113,900	1,124,285	1,211,091	1,211,978
Right-of-use assets	16	404,902	370,793	415,989	406,651
Prepayments for property, plant and equipment	19	245,211	160,248	59,421	58,648
Deferred income tax assets	24	113,724	79,270	76,540	91,074
		1,974,880	1,835,375	1,909,984	1,907,811
Current assets					
Inventories	17	567,978	586,879	375,757	445,019
Trade and bills receivables	18	928,643	1,142,940	1,750,049	1,123,046
Prepayments, deposits and other receivables	19	354,036	235,818	282,719	260,939
Restricted cash	20	2,863	19,120	25,890	18,085
Cash and cash equivalents	20	547,436	467,967	690,064	753,442
Tax recoverable		–	–	6,228	–
		2,400,956	2,452,724	3,130,707	2,600,531
Total assets		4,375,836	4,288,099	5,040,691	4,508,342
EQUITY					
Equity attributable to owners of the Company					
Share capital	21	–	–	–	–
Retained earnings	22	1,209,069	1,749,141	2,804,226	3,060,113
Other reserves	22	159,771	108,642	58,853	18,895
Total equity		1,368,840	1,857,783	2,863,079	3,079,008

	Note	As at 31 December			As at 30 June
		2017	2018	2019	2020
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Non-current liabilities					
Deferred government grant	*23*	68,192	63,670	61,843	59,982
Borrowings	*27*	185,263	211,182	207,396	73,548
Deferred income tax liabilities	*24*	12,531	22,707	98,698	119,959
Lease liabilities	*16*	39,017	28,915	33,824	28,009
		305,003	326,474	401,761	281,498
Current liabilities					
Trade and bills payables	*25*	931,943	664,721	511,922	349,276
Contract liabilities	*5*	14,366	20,502	16,188	44,644
Accruals and other payables	*26*	807,577	602,995	746,871	552,027
Amounts due to related companies	*29*	6,780	4,187	1,076	837
Dividend payable	*11*	85,261	85,261	48,261	–
Current income tax liabilities		17,540	39,527	218,679	95,885
Borrowings	*27*	812,992	662,628	206,529	74,386
Lease liabilities	*16*	25,534	24,021	26,325	30,781
		2,701,993	2,103,842	1,775,851	1,147,836
Total liabilities		3,006,996	2,430,316	2,177,612	1,429,334
Total equity and liabilities		4,375,836	4,288,099	5,040,691	4,508,342
Net current (liabilities)/assets		(301,037)	348,882	1,354,856	1,452,695
Total assets less current liabilities		1,673,843	2,184,257	3,264,840	3,360,506

BALANCE SHEETS OF THE COMPANY

	Note	Year ended 31 December			As at 30 June
		2017	2018	2019	2020
		HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets					
Investments in subsidiaries	13	10	10	10	10
Current assets					
Dividend receivable	11	85,261	85,261	84,925	2,335,000
Deferred and prepayment for listing expenses	19	–	–	–	4,148
Total assets		85,271	85,271	84,935	2,339,158
EQUITY					
Equity attributable to owners of the Company					
Share capital	21	–	–	–	–
Retained earnings		–	–	36,664	2,313,552
Total equity		–	–	36,664	2,313,552
LIABILITIES					
Current liabilities					
Other payables		10	10	10	10
Dividend payable	11	85,261	85,261	48,261	–
Accruals and other payables	26	–	–	–	25,073
Amount due to a subsidiary	29	–	–	–	523
Total liabilities		85,271	85,271	48,271	25,606
Total equity and liabilities		85,271	85,271	84,935	2,339,158

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company		
	Share capital	**Reserves (Note 22)**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2017	–	1,193,637	1,193,637
Profit for the year	–	86,159	86,159
Other comprehensive income:			
Exchange differences	–	89,044	89,044
As at 31 December 2017	–	1,368,840	1,368,840
As at 1 January 2018	–	1,368,840	1,368,840
Profit for the year	–	553,985	553,985
Other comprehensive loss:			
Exchange differences	–	(65,042)	(65,042)
As at 31 December 2018	–	1,857,783	1,857,783
As at 1 January 2019	–	1,857,783	1,857,783
Profit for the year	–	1,079,617	1,079,617
Other comprehensive loss:			
Exchange differences	–	(74,321)	(74,321)
As at 31 December 2019	–	2,863,079	2,863,079
(Unaudited)			
As at 1 January 2019	–	1,857,783	1,857,783
Profit for the period	–	217,956	217,956
Other comprehensive loss:			
Exchange differences	–	(29,206)	(29,206)
As at 30 June 2019	–	2,046,533	2,046,533
As at 1 January 2020	–	2,863,079	2,863,079
Profit for the period	–	302,193	302,193
Other comprehensive loss:			
Exchange differences	–	(49,600)	(49,600)
Dividend declared and paid	–	(36,664)	(36,664)
As at 30 June 2020	–	3,079,008	3,079,008

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019	Six months ended 30 June 2019	Six months ended 30 June 2020
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Cash flows from operating activities						
Net cash generated from operations	*28(a)*	736,569	325,185	1,155,182	140,915	755,183
Interest received		3,126	6,218	5,652	2,154	4,136
Income tax paid		(36,581)	(82,386)	(128,410)	(49,553)	(232,411)
Net cash generated from operating activities		703,114	249,017	1,032,424	93,516	526,908
Cash flows from investing activities						
Acquisition of property, plant and equipment		(330,098)	(89,450)	(131,261)	(3,045)	(79,463)
Proceeds from disposal of property, plant and equipment	*28(b)*	21,848	–	10,587	1,425	431
Proceeds from disposal of right-of-use assets	*28(c)*	33,242	–	–	–	–
Acquisition of intangible assets		(15,689)	(31,996)	(65,561)	(5,933)	(9,551)
Increase in restricted cash		(2,762)	(16,774)	(8,244)	(3,474)	–
Release of restricted cash		36,936	–	976	1,997	7,374
Receipt of government grant in relation to land use rights		41,633	–	–	–	–
Net cash used in investing activities		(214,890)	(138,220)	(193,503)	(9,030)	(81,209)
Cash flows from financing activities						
Interest paid		(49,948)	(57,207)	(37,244)	(22,204)	(7,491)
Acquisition of right-of-use assets		–	–	(48,342)	–	(2,750)
Proceeds from borrowings		963,125	760,190	281,099	426,441	27,196
Repayments of borrowings		(1,020,826)	(840,581)	(726,813)	(518,934)	(287,722)
Payment for listing expenses		–	–	–	–	(25)
Dividend paid		–	–	(37,000)	(22,000)	(84,925)
Principal elements of lease payments		(25,754)	(28,161)	(30,578)	(15,802)	(16,807)
Net cash used in financing activities		(133,403)	(165,759)	(598,878)	(152,499)	(372,524)
Net increase/(decrease) in cash and cash equivalents		354,821	(54,962)	240,043	(68,013)	73,175
Cash and cash equivalents, at beginning of the year/period		165,075	547,436	467,967	467,967	690,064
Effect of foreign exchange rate changes		27,540	(24,507)	(17,946)	(16,020)	(9,797)
Cash and cash equivalents, at end of the year/period		547,436	467,967	690,064	383,934	753,442

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

Blue Moon Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 27 December 2007. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (together, the "Group") is principally engaged in the design, research, development, manufacture and sale of (i) personal hygiene products, (ii) home care products, and (iii) fabric care products in the People's Republic of China (the "PRC").

Ms. Pan Dong is the ultimate controlling shareholder of the Company and Mr. Luo Qiu Ping, a director of the Company, is the husband of Ms. Pan Dong.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The Group has adopted HKFRS 9, HKFRS 15 and HKFRS 16 using full retrospective approach with which the relevant accounting policies have been consistently applied to the Group's consolidated financial statements throughout the Track Record Period.

New standard and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group

		Effective for annual periods beginning on or after
Amendment to HKFRS 16	COVID-19-related rent concessions	1 June 2020
HKFRS 17	Insurance contracts	1 January 2022
Amendments to Hong Kong Accounting Standards ("HKAS") 3	Update reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – costs of fulfilling a contract	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or Non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Company are of the opinion that the adoption of the above new standard and amendments to existing standards would not have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards and amendments to existing standards when they become effective.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable HKFRSs.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiary in the period the dividends are declared or if the carrying amount of the investments in the separate financial statements exceed the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the majority of the Group's subsidiaries is Renminbi ("RMB"). The Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive income.

(c) Transactions and balances

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset to its working condition and location for intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	30 to 50 years
Leasehold improvements	Shorter of the lease terms or 5 years
Plant and machinery	5 to 20 years
Furniture, fixtures and equipment	4 to 15 years
Motor vehicles	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing net proceeds with the carrying amount and are recognised in consolidated statements of comprehensive income.

2.7 Construction-in-progress

Construction-in-progress represents buildings under construction and machineries and equipment under installation, which is stated at historical cost less accumulated impairment losses, if any. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are ready for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.6 above.

2.8 Intangible assets

Trademarks and patents

Separately acquired trademarks and patents are stated at historical cost. Trademarks and patents acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives of 10 years i.e. the license period.

Computer software and system

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products and system controlled by the Group, and that will generate probable future economic benefits exceeding costs (beyond one year), are recognised as intangible assets.

Directly attributable costs that are capitalised as part of the software and system include the software and system development employee costs and an appropriate portion of relevant overheads.

Computer system under development are transferred to computer software upon the completion of the respective development, and amortisation will commence accordingly over their estimated useful lives of 5 to 10 years based on management's expectation on the technological lives of the systems, on a straight-line basis.

2.9 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets as debt instruments to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Debt instruments held at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instrument carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Notes 3.1(c) and 18 for further details.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There are also arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the applicable variable selling expenses.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1(c) for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

(a) Pension obligation

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by government or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

All contributions to pension plans are fully and immediately vested and the Group had no unvested benefits available to reduce its future contributions.

The Group also contributes on a monthly basis to various defined contribution plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities in respect of its employees in the People's Republic of China (the "PRC"). The Group contributes to these plans based on certain percentages of the total salary of employees, subject to certain ceiling, as stipulated by the relevant regulations.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

i) including any market performance conditions (for example, an entity's share price);

ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding credit to equity.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practise that has created a constructive obligation.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax ("VAT"), returns and rebates and after eliminating sales within the Group.

(a) Sales of goods

Revenue from the sales of goods is recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated returns and volume rebates (if any). Accumulated experience is used to estimate and provide for the returns and rebates, using the expected value method, based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected returns and volume rebates payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with credit terms that are consistent with market practise. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

If the services rendered or products delivered by the Group exceed the payments made by the counterparties, a contract asset is recognised. If the payments exceed the services rendered or products delivered, a contract liability is recognised. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(b) Interest income

Interest income is recognised using the effective interest method.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants that compensate the Group for the cost of an asset are included in non-current liabilities as deferred income and are credited to the consolidated profit or loss on a straight-line basis over the expected useful lives of the related assets.

2.23 Leases

The Group leases various properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable (if any). The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Lease payments are allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk. These risks are managed by the Group's financial management policies and practises described below.

(a) Foreign exchange risk

Majority of the subsidiaries of the Group are operating in the PRC with most of the transactions and assets denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(b) Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, while borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

If the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, profit before income tax for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 would have been HK$9,983,000, HK$8,738,000, HK$4,139,000, HK$7,781,000 and HK$1,479,000 lower/higher respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements.

(c) Credit risk

(i) Risk management

The credit risk of the Group mainly arises from cash and bank balances, trade and bills receivables, deposits and other receivables (except for prepayments). The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

Sales are generally on open account with credit terms of 30 to 90 days during the Track Record Period. The remaining balances are covered by either (i) letters of credit with bills payable at sight or (ii) advances received from customers. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group also has policies on granting different settlement methods to different customers to monitor the credit exposure. Letters of credit are normally required from new customers and existing customers with short trading history for settlement purposes. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. At as 31 December 2017, 2018 and 2019 and 30 June 2020, trade and bills receivables of HK$944,716,000, HK$1,152,862,000 and HK$1,761,838,000, and HK$1,141,294,000 were due from companies operating under domestically well-known supermarkets, online platforms and certain wholesalers in the PRC. Loss allowances of HK$16,073,000, HK$9,922,000 and HK$11,789,000, and HK$18,248,000 have been provided for such trade and bills receivables as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, majority of the cash and bank deposits of the Group are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality. Management does not expect any losses from non-performance by these financial institutions, therefore, the expected credit loss for cash and bank balances is minimal. The Group has no policy to limit the amount of credit exposure to any financial institutions.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- Trade receivables
- Other financial assets at amortised costs

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss is immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are considered to be subjected to higher risk of default and are tested individually.

Measurement of expected credit loss on individual basis

Trade receivables with higher risk of default are assessed individually for provision for impairment allowance. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the balances of such individually assessed trade receivables and the loss allowance in respect of these receivables are as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Individually assessed trade receivables	9,134	–	–	–
Loss allowance	(9,134)	–	–	–

Measurement of expected credit loss on collective basis

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a specific period before each year end date and the corresponding historical credit losses experienced within the periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the overall industry outlook and Gross Domestic Product ("GDP") of the PRC in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Loss allowance in respect of these collectively assessed trade receivables amounted to approximately HK$6,939,000, HK$9,922,000 and HK$11,789,000, and HK$18,248,000 based on an average expected loss rate of approximately 0.7%, 0.9% and 0.7%, and 1.6% as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

Impairment losses on trade receivables are separately presented as "net (provision for)/reversal of impairment losses of financial assets" in the consolidated profit or loss. Trade receivables are written off when there is no reasonable expectation of recovery. The Group normally categorises a trade receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost include bills receivables, refundable deposits and other receivables (excluding prepayments), they are considered to be low credit risk primarily because historically they had no history of default and the debtors had a strong capacity to meet its contractual cash flow obligations in the near term. No impairment losses were provided for during the Track Record Period.

(d) Liquidity risk

The Group's primary cash requirements have been used on payments for additions and upgrades of property, plant and equipment, related debts and raw material purchases and operating expenses. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings and takes into account all available information on future business environment including among others, the economic impact of the unprecedential COVID-19 on the economies of the countries in which the Group and its customers and suppliers operate.

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 Year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017					
Trade and bills payables	931,943	–	–	–	931,943
Accruals and other payables	645,071	–	–	–	645,071
Amounts due to related companies	6,780	–	–	–	6,780
Interest-bearing borrowings	900,656	77,416	73,911	–	1,051,983
Dividend payable	85,261	–	–	–	85,261
Lease liabilities	28,242	20,298	21,339	–	69,879
	2,597,953	97,714	95,250	–	2,790,917
As at 31 December 2018					
Trade and bills payables	664,721	–	–	–	664,721
Accruals and other payables	414,764	–	–	–	414,764
Amounts due to related companies	4,187	–	–	–	4,187
Interest-bearing borrowings	785,360	117,130	105,005	–	1,007,495
Dividend payable	85,261	–	–	–	85,261
Lease liabilities	26,084	15,370	14,301	1,115	56,870
	1,980,377	132,500	119,306	1,115	2,233,298
As at 31 December 2019					
Trade and bills payables	511,922	–	–	–	511,922
Accruals and other payables	531,084	–	–	–	531,084
Amounts due to related companies	1,076	–	–	–	1,076
Interest-bearing borrowings	326,961	130,665	44,576	–	502,202
Dividend payable	48,261	–	–	–	48,261
Lease liabilities	28,781	21,023	13,899	783	64,486
	1,448,085	151,688	58,475	783	1,659,031

	Within 1 Year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2020					
Trade and bills payables	349,276	–	–	–	349,276
Accruals and other payables	419,828	–	–	–	419,828
Amounts due to related companies	837	–	–	–	837
Interest-bearing borrowings	84,181	35,836	61,790	–	181,807
Lease liabilities	33,054	21,460	7,154	640	62,308
	887,176	57,296	68,944	640	1,014,056

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, issue new shares or obtain funding through adequate amount of committed credit facilities.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets, including cash and cash equivalents, trade and bills receivables, restricted cash, deposits and other receivables, and the Group's financial liabilities, including trade and bills payables, accruals and other payables, borrowings, dividend payable, lease liabilities and amounts due to related companies, approximate their fair values.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 Critical estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

4.2 Estimated useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets, respectively. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature. The management will increase the depreciation and amortisation where useful lives are less than previously estimated lives. Periodic review could result in a change in useful lives and therefore depreciation and amortisation expense in the future periods.

4.3 Impairment of financial assets

The impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(c).

4.4 Current and deferred income tax

The Group is subject to income taxes in the PRC and Hong Kong. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4.5 Provision for sales return

The Group uses the probability of sales return to account for its refund liabilities and right to returned goods for the goods sold in each reporting period. The probability is measured by reference to the historical pattern of sales return and to estimate the total refund liabilities and right to returned goods. Significant assumptions are required to estimate the total refund liabilities and right to returned goods that may affect the revenue and cost of sales.

5 Revenue and segment information

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Group. The CODM reviews the performance of the Group on a regular basis.

As substantial business operations of the Group relate to the manufacturing, selling and distribution of cleaning products, the CODM makes decisions about resources allocation and performance assessment based on the entity-wide consolidated financial information. Accordingly, there is only one single operating segment for the Group qualified as reportable segment under HKFRS 8. No separate segmental analysis is presented in the Historical Financial Information.

(a) Revenue from external customers

Revenue from the sales of finished goods recognised is as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Revenue recognised at a point in time:					
Personal hygiene products	328,021	410,616	418,545	180,051	465,602
Home care products	381,553	440,052	453,747	175,948	288,859
Fabric care products	4,922,459	5,917,277	6,177,613	2,364,351	1,681,407
	5,632,033	6,767,945	7,049,905	2,720,350	2,435,868

Revenue from external parties contributing 10% or more of the total revenue of the Group is as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Customer A	904,884	900,111	1,014,095	548,004	554,913
Customer B	N/A	N/A	961,014	426,886	315,435
Total	904,884	900,111	1,975,109	974,890	870,348

Except for customers A and B, no other customer individually contributed to more than 10% of the Group's total revenue for the Track Record Period.

During the years ended 31 December 2017 and 2018, the revenue generated by customer B was below 10% of the Group's total revenue.

Following the outbreak of COVID-19 pandemic in early 2020, certain customers of the Group encountered difficulties in selling the goods purchased from the Group prior to COVID-19 pandemic, i.e. before 31 December 2019, and requested for return of goods to the Group. Taking into consideration of long term business relationship, the Group has agreed to accept return of unsold products from certain customers on a one-off basis. Accordingly, returned goods with sales amount of HK$149,796,000 has been accounted for as a deduction to the sales for the six months ended 30 June 2020 ("COVID-19 sales return").

All of the Group's revenue was generated from customers in the PRC for the Track Record Period, accordingly, no revenue by geographical location is presented for the relevant years.

(b) Non-current assets

An analysis of the Group's non-current assets excluding deferred tax assets, by geographical locations, is as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	2,207	1,846	4,589	3,962
Mainland China	1,858,949	1,754,259	1,828,855	1,812,775
	1,861,156	1,756,105	1,833,444	1,816,737

(c) Contract liabilities

The Group has recognised the following liabilities related to contract with customers:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities	14,366	20,502	16,188	44,644

Contract liabilities of the Group mainly represent the payments received from customers by the Group while the underlying goods are yet to be delivered.

The following table shows how much of the revenue recognised in the years relates to carried-forward contract liabilities:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period	86,679	14,366	20,502	10,251	8,094

There was no revenue recognised during the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020 from performance obligations satisfied in prior years of each of the respective year.

Amount of transaction price from unsatisfied performance obligation as at 31 December 2017, 2018 and 2019 and 30 June 2020 was equivalent to the contract liabilities as at each of the respective year/period dates. Management expects 100% of the contract liabilities balance as at 30 June 2020 will be recognised as revenue during the next financial year (approximately HK$44,644,000). The balance mainly represents receipts in advance from wholesale customers. The balances decreased from HK$86,679,000 in 2017 to HK$14,366,000 in 2018 due to the shifting of customer base from offline sale channels' customers (including wholesalers) to online sale channels' customers (i.e. E-commerce customers), for which no payment in advance is required. For the six months ended 30 June 2020, the balance increased from HK$16,188,000 to HK$44,644,000 due to seasonality factor.

6 Other income and other gains, net

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Government grants (Note)	7,553	35,932	40,491	30,244	37,372
Net foreign exchange gains/(losses)	3,455	1,441	(457)	399	(700)
Gain on disposal of right-of-use assets (Note 28(c))	8,631	–	–	–	–
(Loss)/gain on early termination of leases	(182)	42	–	–	–
Scrap sales	3,337	1,232	6,119	3,623	3,723
Sundry income/(expense), net	303	(1,201)	5,369	407	(627)
	23,097	37,446	51,522	34,673	39,768

Note: The government grants represent the amortisation of deferred government grant of approximately HK$583,000, HK$1,420,000, HK$1,340,000, HK$670,000 and HK$797,000 and operating subsidies of approximately HK$6,970,000, HK$34,512,000, HK$39,151,000, HK$29,574,000 and HK$36,575,000 for the year ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 respectively. Management does not consider that there were any significant unfulfilled conditions or other contingencies attached to these operating subsidies.

7 Expenses by nature

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Cost of raw materials consumed	2,096,388	2,611,150	2,059,549	801,453	818,137
Changes in inventories of finished goods and work in progress	261,230	8,360	218,739	134,525	(61,995)
Manufacturing overheads (excluding depreciation)	11,567	15,028	11,574	7,093	7,982
Provision for/(reversal of) impairment loss of inventory	28,927	(33,605)	–	–	–
Inventory written off	38,347	25,329	–	–	4,962
Employee benefits expense (Note 8)	1,461,299	1,844,605	1,668,697	813,866	585,688
Advertising expenses	499,023	422,360	404,659	120,923	107,627
Promotion expenses	214,870	281,146	294,912	119,426	151,294
Transportation expenses	391,923	406,565	452,588	187,876	198,833
Other tax expenses	78,753	85,262	76,182	32,264	28,974
Rental expenses related to short term leases	22,338	27,132	23,183	10,956	11,146
Depreciation of property, plant and equipment (Note 15)	94,917	108,367	102,674	53,085	52,121
Depreciation of right-of-use assets (Note 16)	35,101	43,831	36,023	18,227	20,927
Amortisation of intangible assets (Note 14)	16,475	23,062	15,213	7,133	12,849
Auditor's remuneration	2,359	2,405	3,075	1,782	1,825
Travelling expenses	55,295	52,248	59,756	28,056	14,376
Motor expenses	19,548	14,248	13,260	5,836	4,550
Consumables	9,642	8,122	9,271	2,658	2,678
Office expenses	4,822	4,629	3,281	1,770	1,894
Recruitment fee	5,204	7,379	6,649	2,947	937
Utility expenses	28,965	27,880	26,265	11,823	11,448
Consulting fee	26,360	22,614	26,694	10,966	9,760
Maintenance expenses	11,026	3,061	14,579	6,612	7,598
Loss/(gain) on disposals of plant and equipment, net	1,057	–	(298)	(443)	293
(Gain)/loss on disposals of property, net	(152)	–	376	–	–
Property, plant and equipment written off	–	3,438	–	–	–
Listing expenses	–	–	–	–	21,448
Others	66,546	47,774	70,882	29,438	24,453
	5,481,830	6,062,390	5,597,783	2,408,272	2,039,805

8 Employee benefits expense (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Unaudited)	
Wages, salaries and allowances	763,387	1,005,935	764,028	368,538	365,180
Bonuses and commission	416,098	478,302	628,718	308,459	136,895
Contributions to social security plans	245,812	327,166	241,653	123,449	66,468
Other benefits	36,002	33,202	34,298	13,420	17,145
	1,461,299	1,844,605	1,668,697	813,866	585,688

All local employees of the subsidiaries in the PRC participate in mandatory employee social security plans pursuant to the regulations enacted in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the government authorities. Apart from welfare benefits provided by these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on a percentage of the monthly compensation of employees, subject to certain ceilings, and are paid to the respective labour and social welfare authorities. Contributions to these plans are expensed as incurred.

The Group's Hong Kong subsidiaries' contributions to the Mandatory Provident Fund Scheme in Hong Kong are expensed as incurred. Both the employers and employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,500 per month as a mandatory contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers.

Employee benefits expense has been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Unaudited)	
Cost of sales	122,680	158,481	143,415	59,581	64,440
Selling and distribution expenses	867,602	1,313,357	1,062,752	550,743	316,302
General and administrative expenses	471,017	372,767	462,530	203,542	204,946
	1,461,299	1,844,605	1,668,697	813,866	585,688

(a) Five highest paid individuals

For each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the five individuals whose emoluments were the highest in the Group consist of 1, 1, 2, and 2 and 3 directors respectively, the employee benefits expenses in relation to the remaining 4, 4, 3, and 3 and 2 highest paid individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
				(Unaudited)	
Basic salaries and allowances	5,141	9,105	7,315	3,349	2,919
Discretionary bonuses	7,472	8,853	13,026	2,453	467
Employer's contribution to defined contribution plan	367	356	272	121	67
	12,980	18,314	20,613	5,923	3,453

The emoluments of the above individuals fell within the following bands during each of the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
				(Unaudited)	
Nil – HK$1,000,000	–	–	–	–	–
HK$1,000,001 – HK$2,000,000	–	–	–	2	1
HK$2,000,001 – HK$5,000,000	4	2	2	1	1
HK$5,000,001 – HK$10,000,000	–	2	–	–	–
HK$10,000,001 – HK$15,000,000	–	–	1	–	–

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020.

(b) Directors' emoluments

The emoluments of individual directors of the Company are set out as below:

For the year ended	Basic salaries and allowances	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2017				
Executive directors				
Ms. Pan Dong	700	–	18	718
Mr. Luo Qiu Ping *(Chief Executive Officer)*	995	–	–	995
Ms. Luo Dong	5,687	3,744	87	9,518
	7,382	3,744	105	11,231

For the year ended	Basic salaries and allowances	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2018				
Executive directors				
Ms. Pan Dong	600	300	18	918
Mr. Luo Qiu Ping *(Chief Executive Officer)*	995	–	–	995
Ms. Luo Dong	5,602	4,076	90	9,768
	7,197	4,376	108	11,681

For the year ended	Basic salaries and allowances	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2019				
Executive directors				
Ms. Pan Dong	700	300	18	1,018
Mr. Luo Qiu Ping *(Chief Executive Officer)*	6,502	13,715	18	20,235
Ms. Luo Dong	7,539	5,034	92	12,665
	14,741	19,049	128	33,918

For the six months ended	Basic salaries and allowances	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
30 June 2019 *(Unaudited)*				
Executive directors				
Ms. Pan Dong	340	–	9	349
Mr. Luo Qiu Ping *(Chief Executive Officer)*	3,280	–	9	3,289
Ms. Luo Dong	2,823	–	41	2,864
	6,443	–	59	6,502

For the six months ended	Basic salaries and allowances	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
30 June 2020				
Executive directors				
Ms. Pan Dong	360	–	9	369
Mr. Luo Qiu Ping *(Chief Executive Officer)*	3,184	–	–	3,184
Ms. Luo Dong	3,715	–	26	3,741
Mr. Poon Kwok Leung (Appointed on 22 June 2020)	–	–	–	–
Ms. Xiao Hai Shan (Appointed on 22 June 2020)	–	–	–	–
	7,259	–	35	7,294
30 June 2020				
Non-Executive directors				
Mr. Cai Wei (Appointed on 22 June 2020)	–	–	–	–
30 June 2020				
Independent Non-Executive directors				
Mr. Bruno Robert Mercier (Appointed on 22 June 2020)	–	–	–	–
Ms. Ngai Edith Manling (Appointed on 22 June 2020)	–	–	–	–
Mr. Hu Yebi (Appointed on 22 June 2020)	–	–	–	–
	–	–	–	–

No emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

No emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable as at 31 December 2017, 2018 and 2019 and 30 June 2020. No consideration was provided to or received by third parties for making available directors' services during the Track Record Period.

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities.

Saved as disclosed elsewhere in Note 29 to the Historical Financial Information, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2017, 2018 and 2019 and 30 June 2020 or at any time during the Track Record Period.

None of the directors of the Company waived any emoluments.

Mr. Poon Kwok Leung and Ms. Xiao Hai Shan were appointed as the Company's executive directors on 22 June 2020. During the Track Record Period, the directors consider the remuneration paid or payable to Mr. Poon Kwok Leung and Ms. Xiao Hai Shan in respect of their services as directors is immaterial.

Mr. Cao Wei was appointed as the Company's non-executive director on 22 June 2020. During the Track Record Period, such non-executive director has not been appointed and did not received any remuneration.

Mr. Bruno Robert Mercier, Ms. Ngan Edith Manling, Mr. Hu Yebi were appointed as the Company's independent non-executive directors on 22 June 2020. During the Track Record Period, such independent non-executive directors have not been appointed and did not received any remuneration.

9 Finance income and costs

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Finance income					
– Interest income on bank deposits	3,126	6,218	5,652	2,154	4,136
Finance costs					
– interest expenses on bank borrowings	(47,049)	(53,876)	(34,010)	(20,677)	(5,699)
– interest expenses on lease liabilities	(2,899)	(3,331)	(3,234)	(1,527)	(1,792)
	(49,948)	(57,207)	(37,244)	(22,204)	(7,491)
– amount capitalised (Note 15)	2,825	3,752	5,056	1,876	2,788
	(47,123)	(53,455)	(32,188)	(20,328)	(4,703)
Finance costs, net	(43,997)	(47,237)	(26,536)	(18,174)	(567)

10 Income tax expense

The amount of income tax charged to the consolidated profit or loss is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Current income tax					
– PRC corporate income tax	25,999	103,750	313,482	58,592	110,470
Deferred income tax expense (Note 24)	1,072	44,180	82,142	52,255	16,142
Income tax expense	27,071	147,930	395,624	110,847	126,612

(a) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries have no assessable profit arising in or deriving from Hong Kong during the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020.

(b) PRC corporate income tax ("CIT")

Current income tax expense primarily represents the provision for CIT for subsidiaries operating in the PRC. These subsidiaries are subject to CIT on their taxable income as reported in their respective statutory financial statements in accordance with the relevant tax laws and regulations in the PRC.

Guangzhou Blue Moon Industrial Co., Ltd. has been qualified as a New and Hi-Tech Enterprise ("NHTE") and enjoyed a preferential income tax rate of 15% since 2014, which is subject to review and renewal every three years. The NHTE Certificate remains valid for 3 years from November 2017 to November 2020. As the management considered that Guangzhou Blue Moon Industrial Co., Ltd. will not renew the certificate after expiration date, the standard income tax rate of 25% will be adopted in 2020.

Blue Moon (Chongqing) Co., Ltd. has been qualified as a Western Region Encouragement Industrial Enterprise and enjoyed a preferential income tax rate of 15% since 2017, which is subject to review and renewal by the local government.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Group for the Track Record Period is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit before income tax	113,230	701,915	1,475,241	328,803	428,805
Expected tax calculated at the weighted average applicable tax rate	22,041	171,969	332,972	67,038	106,228
Changes in applicable tax rate	–	–	(18,560)	–	–
Expenses not deductible for tax purposes (Note (i))	2,796	31,802	8,038	971	481
Effect of super-deduction for research and development expenses	(1,837)	(3,845)	(4,789)	(2,416)	(4,436)
Losses for which no deferred tax assets were recognised	1,526	1,348	1,424	2,100	1,289
Utilisation of previously unrecognised tax losses	–	(65,080)	–	–	–
Withholding tax on unremitted earnings	2,545	11,736	76,539	43,154	23,050
Income tax expense	27,071	147,930	395,624	110,847	126,612

Note (i): Expenses not deductible for tax purposes mainly include (a) portion of entertainment expenses and advertising expenses that exceeded the prescribed tax deduction thresholds under relevant PRC tax rules and (b) certain operating expenses incurred by group entities not expecting to generate assessable profit in the relevant tax jurisdiction.

The weighted average applicable tax rates were 19.4%, 24.5% and 22.6%, and 20.4% and 24.8% for the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2019 and 2020 respectively. The increase was mainly caused by a change in the profitability of the Group's subsidiaries which are applicable to different tax rates.

11 Dividends — Group and Company

As at 31 December 2017, 2018 and 2019, and 30 June 2020, the dividend payable represents dividend declared prior to the Track Record Period but not yet settled, of which HK$37,000,000 was settled during the year ended 31 December 2019.

In January 2020, the Company declared a dividend of HK$36,664,000 and dividends totalled HK$84,925,000 have been settled by the Company during the six months ended 30 June 2020.

In June 2020, Blue Moon (BVI) Limited, a directly held subsidiary of the Company, declared a dividend of HK$2,335,000,000 to the Company. Accordingly, the Company recognised a dividend receivable of HK$2,335,000,000 as at 30 June 2020.

On 28 June 2020, the Company declared an interim dividend of HK$2,300,000,000 to the immediate sole shareholder of the Company. Such dividend is subject to and conditional upon the completion of the listing ("Listing") on or before 31 December 2021. Accordingly, no dividend payable was recognised as at 30 June 2020 and up to the date of this report.

12 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of ordinary shares in issue.

	Year ended 31 December			**Six months ended 30 June**	
	2017	**2018**	**2019**	**2019**	**2020**
				(Unaudited)	
Profit attributable to equity holders of the Company (HK$'000)	86,159	553,985	1,079,617	217,956	302,193
Weighted number of ordinary shares in issue	10,000	10,000	10,000	10,000	10,000
Basic earnings per share (HK$ per share)	8,616	55,399	107,962	21,796	30,219

As the Company has no dilutive instruments for the Track Record Period, the Group's diluted earnings per share equals to its basic earnings per share.

13 Investments in subsidiaries

The Company

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Investment, at cost				
– Unlisted shares	10	10	10	10

The following is a list of subsidiaries held by the Company as at 31 December 2017, 2018 and 2019 and 30 June 2020:

Name	Place and date of incorporation/ establishment and kind of legal entity	Principal activities/ place of principal activities	Particulars of registered/ issued capital	Effective interest held 31 December 2017	2018	2019	30 June 2020
Directly held:							
Blue Moon (BVI) Limited	British Virgin Islands, 12 November 2007, limited liability company	Investment holding, Hong Kong	HK\$50,000/ HK\$10,000	100%	100%	100%	100%

Name	Place and date of incorporation/ establishment and kind of legal entity	Principal activities/ place of principal activities	Particulars of registered/issued capital	Effective interest held 31 December 2017	2018	2019	30 June 2020	Note
Indirectly held:								
Blue Moon Group Limited 藍月亮國際集團有限公司	Hong Kong, 24 November 1994, limited liability company	Investment holding, Hong Kong	HK\$427,488,000/ HK\$427,488,000	100%	100%	100%	100%	(g)
Guangzhou Blue Moon Industrial Co., Ltd.* (廣州藍月亮實業有限公司)	The PRC, 9 January 2001, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US\$20,000,000/ US\$20,000,000	100%	100%	100%	100%	(b)
Blue Moon (Tianjin) Co., Ltd.* (藍月亮(天津)有限公司)	The PRC, 6 January 2010, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US\$36,000,000/ US\$30,000,000	100%	100%	100%	100%	(c)
Blue Moon (China) Co., Ltd.* (藍月亮(中國)有限公司)	The PRC, 18 January 2011, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US\$22,008,062/ US\$22,008,062	100%	100%	100%	100%	(a)

Name	Place and date of incorporation/ establishment and kind of legal entity	Principal activities/ place of principal activities	Particulars of registered/issued capital	Effective interest held 31 December 2017	2018	2019	30 June 2020	Note
Blue Moon (Kunshan) Co., Ltd.* (藍月亮(昆山)實業有限公司)	The PRC, 3 December 2013, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US$50,000,000/ US$28,700,100	100%	100%	100%	100%	(d)
Villa La Luna Group Limited 月亮小屋國際集團有限公司	Hong Kong, 3 March 2014, limited liability company	Investment holding, Hong Kong	HK$10,000/ HK$10,000	100%	100%	100%	100%	(g)
Xingshuo (Guangzhou) Industrial Co., Ltd.* (星朔(廣州)實業有限公司)	The PRC, 26 September 1997, limited liability company	Biotechnology development services and production, the PRC	US$1,250,000/ US$1,250,000	100%	100%	100%	100%	(f)
Blue Moon (Chongqing) Co., Ltd.* (藍月亮(重慶)有限公司)	The PRC, 30 July 2015, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US$30,000,000/ US$19,180,000	100%	100%	100%	100%	(e)
Indirectly held:								
Blue Moon (Guangzhou) Co., Ltd* (藍月亮(廣州)有限公司)	The PRC, 8 July 2016, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US$84,000,000/ US$17,224,464	100%	100%	100%	100%	(h)
Villa La Luna (China) Co., Ltd.* (月亮小屋(中國)有限公司)	The PRC, 30 June 2014, limited liability company	Laundry services, the PRC	US$16,800,000/ US$2,500,010	100%	100%	100%	100%	(a)
Blue Moon (Guangzhou) Washing Technology Co., Ltd.* (藍月亮(廣州)洗滌科技有限公司)	The PRC, 10 November 2015, limited liability company	Laundry technology and service, the PRC	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	(i)
Moon House (Shenzhen) Data Technology Co., Ltd.* (月亮小屋(深圳)數據技術有限公司)	The PRC, 10 November 2015, limited liability company	Data technology and service, the PRC	HK$10,000,000/ HK$6,000,200	100%	100%	100%	100%	(h)
Moon House (Nantong) Washing Co., Ltd.* (月亮小屋(南通)洗滌有限公司)	The PRC, 8 January 2019, limited liability company	Washing services, the PRC	RMB8,000,000/ RMB60,000	100%	100%	100%	100%	(j)
Chengdu Moon House Washing Co., Ltd.* (成都月亮小屋洗滌有限公司)	The PRC, 4 January 2016, limited liability company	Washing services, the PRC	RMB8,000,000/ RMB8,000,000	100%	100%	100%	100%	(h)

Name	Place and date of incorporation/ establishment and kind of legal entity	Principal activities/ place of principal activities	Particulars of registered/issued capital	Effective interest held 31 December 2017	2018	2019	30 June 2020	Note
Guangzhou Moon House Washing Co., Ltd.* (廣州月亮小屋洗滌有限公司)	The PRC, 11 August 2015, limited liability company	Washing services, the PRC	RMB50,000/Nil	100%	100%	100%	100%	(h)

* *English translation is for identification purpose only*

(a) The statutory financial statements of these subsidiaries for the years ended 31 December 2017, 2018 and 2019 were audited by Zhong Tian Yun Certified Public Accountants.

(b) The statutory financial statements of this subsidiary for the years ended 31 December 2017, 2018 and 2019 were audited by Guangzhou Zhenyang Certified Public Accountants.

(c) The statutory financial statements of this subsidiary for the year ended 31 December 2017, 2018 and 2019 were audited by Tianjin Zhongshen United Certified Public Accountants.

(d) The statutory financial statements of this subsidiary for the year ended 31 December 2017, 2018 and 2019 were audited by Suzhou Hua Ming United Certified Public Accountants.

(e) The statutory financial statements of this subsidiary for the year ended 31 December 2017, 2018 and 2019 were audited by Chongqing Kanghua Certified Public Accountants.

(f) The statutory financial statements of this subsidiary for the year ended 31 December 2017, 2018 and 2019 were audited by Guangzhou Haocheng Certified Public Accountants Co., Ltd.

(g) The statutory financial statements of this subsidiary for the year ended 31 December 2017, 2018 and 2019 were audited by PricewaterhouseCoopers.

(h) No audited financial statements were required for the years ended 31 December 2017, 2018 and 2019. These companies were in small-scale with limited business activities.

(i) No audited financial statement was required for the year ended 31 December 2017 since the subsidiary was in small scale with limited business activity. The statutory financial statements of this subsidiary for the year ended 31 December 2018 and 2019 were audited by Zhong Tian Yun Certified Public Accountants.

(j) No audited financial statements were required for the year end 31 December 2017, 2018 and 2019. The subsidiary is incorporated on 8 January 2019.

14 Intangible assets

	Trademarks and patents	Computer software and development cost	Computer system under development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2017				
Cost	41,563	106,734	23,118	171,415
Accumulated amortisation	(32,789)	(47,122)	–	(79,911)
Net book amount	8,774	59,612	23,118	91,504

	Trademarks and patents	Computer software and development cost	Computer system under development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2017				
Opening net book amount	8,774	59,612	23,118	91,504
Additions	–	15,442	247	15,689
Transfer	–	11,781	(11,781)	–
Amortisation	(4,423)	(12,052)	–	(16,475)
Exchange differences	454	4,771	1,200	6,425
Closing net book amount	4,805	79,554	12,784	97,143
As at 31 December 2017				
Cost	44,477	142,434	12,784	199,695
Accumulated amortisation	(39,672)	(62,880)	–	(102,552)
Net book amount	4,805	79,554	12,784	97,143
Year ended 31 December 2018				
Opening net book amount	4,805	79,554	12,784	97,143
Additions	900	6,266	24,830	31,996
Transfer	–	35,283	(35,283)	–
Amortisation	(4,171)	(18,891)	–	(23,062)
Exchange differences	(40)	(4,303)	(955)	(5,298)
Closing net book amount	1,494	97,909	1,376	100,779
As at 31 December 2018				
Cost	43,232	176,354	1,376	220,962
Accumulated amortisation	(41,738)	(78,445)	–	(120,183)
Net book amount	1,494	97,909	1,376	100,779
Year ended 31 December 2019				
Opening net book amount	1,494	97,909	1,376	100,779
Additions	25	4,849	60,687	65,561
Amortisation	(204)	(15,009)	–	(15,213)
Exchange differences	(42)	(3,441)	(701)	(4,184)
Closing net book amount	1,273	84,308	61,362	146,943

	Trademarks and patents	Computer software and development cost	Computer system under development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019				
Cost	42,296	176,098	61,362	279,756
Accumulated amortisation	(41,023)	(91,790)	–	(132,813)
Net book amount	1,273	84,308	61,362	146,943
(Unaudited)				
Six months ended 30 June 2019				
Opening net book amount	1,494	97,909	1,376	100,779
Additions	–	1,475	4,458	5,933
Amortisation	(106)	(7,027)	–	(7,133)
Exchange differences	(6)	(694)	(14)	(714)
Closing net book amount	1,382	91,663	5,820	98,865
As at 30 June 2019				
Cost	43,061	176,814	5,820	225,695
Accumulated amortisation	(41,679)	(85,151)	–	(126,830)
Net book amount	1,382	91,663	5,820	98,865
Six months ended 30 June 2020				
Opening net book amount	1,273	84,308	61,362	146,943
Additions	238	305	9,008	9,551
Transfer	–	32,480	(32,480)	–
Amortisation	(106)	(12,743)	–	(12,849)
Exchange differences	(53)	(3,175)	(957)	(4,185)
Closing net book amount	1,352	101,175	36,933	139,460
As at 30 June 2020				
Cost	41,688	205,279	36,933	283,900
Accumulated amortisation	(40,336)	(104,104)	–	(144,440)
Net book amount	1,352	101,175	36,933	139,460

The Group's computer system under development as at 31 December 2017, 2018 and 2019 and 30 June 2020 represented operating systems and software developed for the Group's internal use to support the Group's daily operations. Such intangible assets, upon completion, cannot generate cash inflows independently, and are considered as "Corporate assets" in accordance with "HKAS 36 – Impairment assets". Accordingly, in the impairment testing of such intangible assets not yet available for use, the related carrying amounts are allocated to the related cash generating unit (i.e. the Group's financial performance as a whole) and has been assessed annually on a consistent basis during the Track Record Period.

No impairment loss for the computer system under development is considered necessary during the Track Record Period in view of favourable financial performance of the Group.

15 Property, plant and equipment

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction -in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2017							
Cost	513,727	12,078	422,657	104,598	24,623	103,852	1,181,535
Accumulated depreciation	(38,957)	(10,864)	(147,104)	(43,995)	(12,074)	–	(252,994)
Net book amount	474,770	1,214	275,553	60,603	12,549	103,852	928,541
Year ended 31 December 2017							
Opening net book amount	474,770	1,214	275,553	60,603	12,549	103,852	928,541
Additions	734	–	10,155	16,427	3,178	204,337	234,831
Disposals	(14,636)	–	(6,270)	(1,847)	–	–	(22,753)
Transfer	133,398	–	80,885	6,475	–	(220,758)	–
Depreciation	(12,953)	(867)	(62,691)	(16,346)	(2,060)	–	(94,917)
Exchange differences	36,583	53	19,998	4,419	827	6,318	68,198
Closing net book amount	617,896	400	317,630	69,731	14,494	93,749	1,113,900
As at 31 December 2017							
Cost	672,532	12,857	531,412	132,312	29,238	93,749	1,472,100
Accumulated depreciation	(54,636)	(12,457)	(213,782)	(62,581)	(14,744)	–	(358,200)
Net book amount	617,896	400	317,630	69,731	14,494	93,749	1,113,900

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction -in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018							
Opening net book amount	617,896	400	317,630	69,731	14,494	93,749	1,113,900
Additions	1,739	–	17,618	11,142	–	147,666	178,165
Write–off	(293)	–	(1,705)	(1,440)	–	–	(3,438)
Transfer	148,606	–	70,558	5,337	–	(224,501)	–
Depreciation	(18,821)	–	(68,659)	(18,721)	(2,166)	–	(108,367)
Exchange differences	(30,632)	(3)	(19,611)	(2,713)	(523)	(2,493)	(55,975)
Closing net book amount	718,495	397	315,831	63,336	11,805	14,421	1,124,285
As at 31 December 2018							
Cost	797,335	11,469	584,844	136,771	28,209	14,421	1,573,049
Accumulated depreciation	(78,840)	(11,072)	(269,013)	(73,435)	(16,404)	–	(448,764)
Net book amount	718,495	397	315,831	63,336	11,805	14,421	1,124,285

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction -in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2019							
Opening net book amount	718,495	397	315,831	63,336	11,805	14,421	1,124,285
Additions	456	–	9,895	11,873	4,719	207,787	234,730
Disposals	(376)	–	(6,187)	(3,780)	(322)	–	(10,665)
Transfer	18,444	–	37,106	3,536	–	(59,086)	–
Depreciation	(18,215)	(393)	(64,017)	(17,486)	(2,563)	–	(102,674)
Exchange differences	(15,396)	(4)	(13,759)	(3,270)	(207)	(1,949)	(34,585)
Closing net book amount	703,408	–	278,869	54,209	13,432	161,173	1,211,091
As at 31 December 2019							
Cost	798,510	11,244	591,560	140,839	28,338	161,173	1,731,664
Accumulated depreciation	(95,102)	(11,244)	(312,691)	(86,630)	(14,906)	–	(520,573)
Net book amount	703,408	–	278,869	54,209	13,432	161,173	1,211,091
(Unaudited)							
Six months ended 30 June 2019							
Opening net book amount	718,495	397	315,831	63,336	11,805	14,421	1,124,285
Additions	–	–	1,279	5,680	2,356	78,788	88,103
Disposals	–	–	(649)	(67)	(266)	–	(982)
Transfer	15,703	–	18,618	856	–	(35,177)	–
Depreciation	(9,200)	(200)	(33,394)	(8,825)	(1,466)	–	(53,085)
Exchange differences	(9,647)	(4)	(6,077)	(534)	(37)	(141)	(16,440)
Closing net book amount	715,351	193	295,608	60,446	12,392	57,891	1,141,881
As at 30 June 2019							
Cost	803,072	11,425	588,770	141,576	26,325	57,891	1,629,059
Accumulated depreciation	(87,721)	(11,232)	(293,162)	(81,130)	(13,933)	–	(487,178)
Net book amount	715,351	193	295,608	60,446	12,392	57,891	1,141,881
Six months ended 30 June 2020							
Opening net book amount	703,408	–	278,869	54,209	13,432	161,173	1,211,091
Additions	–	–	3,244	3,760	–	74,867	81,871

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction -in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Disposals	–	–	(99)	(625)	–	–	(724)
Transfer	114,912	–	27,243	12,226	–	(154,381)	–
Depreciation	(8,676)	–	(30,747)	(11,285)	(1,413)	–	(52,121)
Exchange differences	(14,862)	–	(9,370)	(1,111)	(464)	(2,332)	(28,139)
Closing net book amount	794,782	–	269,140	57,174	11,555	79,327	1,211,978
As at 30 June 2020							
Cost	896,652	11,244	604,060	152,359	27,661	79,327	1,771,303
Accumulated depreciation	(101,870)	(11,244)	(334,920)	(95,185)	(16,106)	–	(559,325)
Net book amount	794,782	–	269,140	57,174	11,555	79,327	1,211,978

Note: As at 31 December 2017, 2018 and 2019, buildings with the carrying amounts of HK$240,190,000, HK$226,318,000 and HK$202,771,000, respectively, were pledged to banks to secure bank borrowings (Note 27). No buildings were pledged to the banks as at 30 June 2020.

During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group capitalised borrowing costs amounting to HK$2,825,000, HK$3,752,000, HK$5,056,000, HK$1,876,000 and HK$2,788,000, respectively, on qualifying assets (Note 9). Borrowing costs for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 were capitalised at the weighted average rate of its general borrowings of 1.3%, 5.9%, 6.2%, 3.2% and 2.9% respectively.

Depreciation expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Cost of sales	65,587	71,361	65,807	34,115	31,410
Selling and distribution expenses	2,153	2,154	1,830	936	912
General and administrative expenses	27,177	34,852	35,037	18,034	19,799
	94,917	108,367	102,674	53,085	52,121

16 Leases

(a) Right-of-use assets

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Land use rights	341,072	319,236	356,380	348,582
Leased buildings	63,830	51,557	59,609	58,069
	404,902	370,793	415,989	406,651

Land use rights represent the prepaid operating lease payments of the Group's interests in land use rights located in the PRC, which are held on leases within 50 years. As at 31 December 2017, 2018 and 2019 and 30 June 2020, land use rights with a total carrying amount of HK$106,169,000, HK$163,317,000, HK$220,128,000 and HK$154,110,000, respectively, were pledged to banks to secure bank borrowings (Note 27).

Leased properties of the Group represent mainly offices and training venues for sales personnel under lease arrangements with lease terms from 2 to 6 years.

(b) Depreciation expenses from right-of-use assets have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Selling and distribution expenses	17,012	18,834	19,551	9,801	9,018
General and administrative expenses	18,089	24,997	16,472	8,426	11,909
	35,101	43,831	36,023	18,227	20,927

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Land use rights	8,745	14,918	6,262	3,410	3,927
Lease buildings	26,356	28,913	29,761	14,817	17,000
	35,101	43,831	36,023	18,227	20,927

(c) Lease liabilities

The total cash outflows for leases for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 were HK$50,991,000, HK$58,624,000, HK$56,995,000, HK$28,285,000 and HK$29,745,000 respectively.

A maturity analysis of lease liabilities is shown in the table below:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The present value of lease liabilities is as follows:				
Within 1 year	25,534	24,021	26,325	30,781
Later than 1 year but not later than 2 years	18,826	14,290	19,792	20,576
Later than 2 years but not later than 5 years	20,191	13,603	13,299	6,826
Over 5 years	–	1,022	733	607
	64,551	52,936	60,149	58,790

17 Inventories

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	135,872	129,526	128,721	135,988
Work in progress	2,311	1,280	830	497
Finished goods	463,400	456,073	246,206	308,534
Inventories – gross	601,583	586,879	375,757	445,019
Provision for impairment	(33,605)	–	–	–
Inventories – net	567,978	586,879	375,757	445,019

The cost of inventories recognised as cost of sales amounted to approximately HK$2,357,618,000, HK$2,619,510,000, HK$2,278,288,000, HK$935,978,000 and HK$756,142,000 for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively.

Inventories of approximately HK$38,347,000, HK$25,329,000, nil, nil and HK$4,962,000 were written off during the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively.

18 Trade and bills receivables

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	940,768	1,142,442	1,724,707	1,137,705
Bills receivables	3,948	10,420	37,131	3,589
Trade and bills receivables	944,716	1,152,862	1,761,838	1,141,294
Less: Loss allowance	(16,073)	(9,922)	(11,789)	(18,248)
Trade and bills receivables, net	928,643	1,142,940	1,750,049	1,123,046

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the carrying amounts of the Group's trade and bills receivables were denominated in RMB and approximated their fair values.

During the Track Record Period, sales to wholesale customers are generally covered by advances received from customers. The remaining balances are generally covered by letters of credit with bills payable at sight.

Bills receivables are with average maturity dates of less than two months.

The Group allows a credit period of up to 90 days to its customers. The ageing analysis of trade and bills receivables based on invoice date is as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	922,832	769,953	1,124,774	275,262
31 – 60 days	2,839	272,780	298,211	441,209
61 – 180 days	4,608	107,029	326,521	216,526
Over 180 days	14,437	3,100	12,332	208,297
	944,716	1,152,862	1,761,838	1,141,294

As at 30 June 2020, trade receivables aged over 180 days of HK$53,525,000 were related to COVID-19 sales return (Note 5) as the underlying products have not been returned to the Group. Such balances are to be derecognised by the Group upon the receipt of relevant products.

Information about the Group's exposure to credit risk and the impairment of trade and bills receivables can be found in Note 3.1(c).

The movement of provision for impairment of trade receivables is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January	–	16,073	9,922	11,789
Provision for impairment charged to consolidated profit or loss	16,073	2,983	1,867	6,459
Reversal of provision for impairment recognised in consolidated profit or loss	–	(9,134)	–	–
As at year/period end	16,073	9,922	11,789	18,248

The creation and release of provision for impairment of trade and bills receivables has been included in the consolidated statements of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering the amount.

19 Prepayments, deposits and other receivables

The Group

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Prepayments for acquisition of property, plant and equipment	245,211	160,248	59,421	58,648
Current				
Prepayments for advertising and promotion expenses	202,711	125,577	88,132	104,677
Prepayments for raw materials and transportation	78,990	61,113	14,024	16,246
Prepayment for listing expenses	–	–	–	103
Deferred listing expenses	–	–	–	4,045
Deposits	22,446	18,558	31,903	34,387
VAT recoverable	17,860	16,481	35,531	53,991
Advances to staff	3,970	679	1,206	893
Receivables from payment intermediaries[(Note)]	7,721	6,863	100,101	14,611
Right of returned goods (Note 26)	–	–	–	12,760
Others	20,338	6,547	11,822	19,226
	354,036	235,818	282,719	260,939

Note: Receivables from payment intermediaries represent the sales received by Alipay and WeChat pay on behalf of the Group for the online platform sales.

Deferred listing expenses will be deducted from equity upon listing of the Group.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the carrying amounts of prepayments, deposits and other receivables were denominated in RMB and approximated their fair values.

The Company

As at 30 June 2020, deferred listing expense and prepayment for listing expenses amounted to approximately HK$4,045,000 and HK$103,000 respectively.

20 Cash and cash equivalents and restricted cash

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks	547,396	467,918	689,998	753,424
Cash on hand	40	49	66	18
Restricted cash(Note)	2,863	19,120	25,890	18,085
	550,299	487,087	715,954	771,527

Note: As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group's restricted cash was denominated in RMB and placed in the bank to secure the use of an online payment platform and certain bank borrowings (Note 27).

The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates. The existing counterparties do not have history of default.

RMB is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

21 Share capital

	Number of shares	Share capital
Authorised ordinary shares:		
At 1 January 2017, 31 December 2017, 2018 and 2019, and 30 June 2020	38,000,000	HK$380,000
Ordinary shares, issued and fully paid:		
At 1 January 2017, 31 December 2017, 2018 and 2019, and 30 June 2020	10,000	HK$ 100

22 Reserves

	Statutory surplus reserves	Retained earnings	Exchange translation reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2017	162,676	1,130,000	(99,039)	1,193,637
Profit for the year	–	86,159	–	86,159
Transfer	7,090	(7,090)	–	–
Exchange differences	–	–	89,044	89,044
As at 31 December 2017	169,766	1,209,069	(9,995)	1,368,840
As at 1 January 2018	169,766	1,209,069	(9,995)	1,368,840
Profit for the year	–	553,985	–	553,985
Transfer	13,913	(13,913)	–	–
Exchange differences	–	–	(65,042)	(65,042)
As at 31 December 2018	183,679	1,749,141	(75,037)	1,857,783
As at 1 January 2019	183,679	1,749,141	(75,037)	1,857,783
Profit for the year	–	1,079,617	–	1,079,617
Transfer	24,532	(24,532)	–	–
Exchange differences	–	–	(74,321)	(74,321)
As at 31 December 2019	208,211	2,804,226	(149,358)	2,863,079
(Unaudited)				
As at 1 January 2019	183,679	1,749,141	(75,037)	1,857,783
Profit for the period	–	217,956	–	217,956
Transfer	9,074	(9,074)	–	–
Exchange differences	–	–	(29,206)	(29,206)
As at 30 June 2019	192,753	1,958,023	(104,243)	2,046,533
As at 1 January 2020	208,211	2,804,226	(149,358)	2,863,079
Profit for the period	–	302,193	–	302,193
Transfer	9,642	(9,642)	–	–
Dividend declared and paid	–	(36,664)	–	(36,664)
Exchange differences	–	–	(49,600)	(49,600)
As at 30 June 2020	217,853	3,060,113	(198,958)	3,079,008

Statutory reserves represent the statutory surplus reserves and statutory public welfare fund. The subsidiaries in the PRC appropriate 10% of the net profits as reported in their statutory financial statements (after offsetting any prior year's losses) to the statutory surplus reserves until the reserves have reached 50% of their registered capital. Statutory surplus reserves are non-distributable to shareholders. The use of these reserves is to offset accumulated losses or to increase capital as determined by the board of directors of the relevant PRC subsidiaries in accordance with the relevant laws and regulations in the PRC.

23 Deferred government grant

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January	23,964	68,192	63,670	61,843
Addition	43,137	–	–	–
Amortisation	(583)	(1,420)	(1,340)	(797)
Exchange differences	1,674	(3,102)	(487)	(1,064)
As at 31 December	68,192	63,670	61,843	59,982

Deferred government grant represents grants obtained from the PRC government in relation to the acquisition of land use rights by the Group.

24 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes related to the same fiscal authority.

The balances shown in the consolidated balance sheet, after appropriate offsetting, are as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax assets	113,724	79,270	76,540	91,074
Deferred income tax liabilities	(12,531)	(22,707)	(98,698)	(119,959)
Net deferred income tax assets/(liabilities)	101,193	56,563	(22,158)	(28,885)

The movements in the net deferred income tax assets/(liabilities) are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January	92,668	101,193	56,563	(22,158)
Charged to the consolidated profit or loss (Note 10)	(1,072)	(44,180)	(82,142)	(16,142)
Withholding tax paid	5,473	2,078	3,254	8,375
Exchange differences	4,124	(2,528)	167	1,040
As at 31 December	101,193	56,563	(22,158)	(28,885)

The movements in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities

	Unremitted earnings of PRC entities	Accelerated depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2017	(12,240)	(14,294)	(26,534)
Charged to the consolidated profit or loss	(2,545)	(676)	(3,221)
Withholding tax paid	5,473	–	5,473
Exchange differences	(751)	(789)	(1,540)
As at 31 December 2017	(10,063)	(15,759)	(25,822)
As at 1 January 2018	(10,063)	(15,759)	(25,822)
Charged to the consolidated profit or loss	(11,736)	(1,393)	(13,129)
Withholding tax paid	2,078	–	2,078
Exchange differences	570	744	1,314
As at 31 December 2018	(19,151)	(16,408)	(35,559)
As at 1 January 2019	(19,151)	(16,408)	(35,559)
Charged to the consolidated profit or loss	(76,539)	(10,755)	(87,294)
Withholding tax paid	3,254	–	3,254
Exchange differences	1,220	478	1,698
As at 31 December 2019	(91,216)	(26,685)	(117,901)
As at 1 January 2020	(91,216)	(26,685)	(117,901)
Charged to the consolidated profit or loss	(23,050)	(9,319)	(32,369)
Withholding tax paid	8,375	–	8,375
Exchange differences	1,909	607	2,516
As at 30 June 2020	(103,982)	(35,397)	(139,379)

Deferred income tax assets

	Accrued expenses and others	Decelerated depreciation	Unclaimed advertising expenses	Unrealised profits	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2017	39,987	–	32,880	39,130	7,205	119,202
Credited/(charged) to the consolidated profit or loss	6,929	704	2,521	(15,939)	7,934	2,149
Exchange differences	2,683	(211)	2,397	–	795	5,664
As at 31 December 2017	49,599	493	37,798	23,191	15,934	127,015
As at 1 January 2018	49,599	493	37,798	23,191	15,934	127,015
(Charged)/credited to the consolidated profit or loss	(39,036)	(493)	8,771	1,779	(2,072)	(31,051)
Exchange differences	(1,220)	–	(1,940)	–	(682)	(3,842)
As at 31 December 2018	9,343	–	44,629	24,970	13,180	92,122
As at 1 January 2019	9,343	–	44,629	24,970	13,180	92,122
Credited/(charged) to the consolidated profit or loss	8	–	4,908	(1,309)	1,545	5,152
Exchange differences	(197)	–	(1,029)	–	(305)	(1,531)
As at 31 December 2019	9,154	–	48,508	23,661	14,420	95,743
As at 1 January 2020	9,154	–	48,508	23,661	14,420	95,743
(Charged)/credited to the consolidated profit or loss	28,777	–	(19,481)	7,028	(97)	16,227
Exchange differences	(450)	–	(748)	–	(278)	(1,476)
As at 30 June 2020	37,481	–	28,279	30,689	14,045	110,494

As at 31 December 2017 and 2018, deferred income tax liabilities of approximately HK$25,992,000 and HK$31,327,000 have not been established for the withholding taxation that would be payable on the unremitted earnings of certain subsidiaries in the PRC totalling HK$519,839,000 and HK$626,536,000 as the Company controls the dividend policies of these subsidiaries and it is not probable that these subsidiaries would distribute such earnings in the foreseeable future.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group did not recognise deferred income tax assets of approximately HK$68,995,000, HK$3,555,000, HK$4,950,000 and HK$6,239,000 in respect of losses incurred by the Group's PRC subsidiaries amounting to approximately HK$277,870,000, HK$14,221,000, HK$19,800,000 and HK$24,956,000, that can be carried forward for one to five years for offsetting against future taxable income.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group did not recognise deferred income tax assets of approximately HK$27,000, HK$56,000, HK$85,000 and HK$101,000 in respect of losses incurred by the Group's Hong Kong subsidiaries amounting to approximately HK$164,000, HK$341,000, HK$514,000 and HK$613,000, that can be used to offset future income with no expiry date.

25 Trade and bills payables

	As at 31 December			**As at 30 June**
	2017	**2018**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	764,049	664,721	511,922	349,276
Bills payables	167,894	–	–	–
Trade and bills payables	931,943	664,721	511,922	349,276

The credit period for trade payables generally ranges from 30 to 90 days.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the carrying amounts of trade payables were denominated in RMB and approximated their fair values.

The aging analysis of the trade and bill payables based on invoice dates is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Up to 3 months	921,112	653,779	510,654	348,503
3 to 6 months	9,043	5,098	1,268	–
6 months to 1 year	1,788	5,844	–	773
	931,943	664,721	511,922	349,276

26 Accruals and other payables

The Group

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits from logistic companies	126,298	9,147	9,199	7,293
Accrued salaries and wages	162,506	188,231	215,787	132,199
Accrued advertising and promotion expenses	19,492	15,518	29,267	14,424
Accrued listing expenses	–	–	–	25,073
Payables for capital expenditures	24,045	70,858	63,738	30,937
VAT and other tax payables	220,776	145,740	225,329	118,775
Transportation cost payables	172,515	150,200	164,384	110,301
Refund liabilities (Note)	–	–	–	53,525
Others	81,945	23,301	39,167	59,500
	807,577	602,995	746,871	552,027

Note: As described in Note 18, the underlying products in relation to COVID-19 sales return of HK$53,525,000 have not been received by the Group as at 30 June 2020. Accordingly, the Group recognised refund liabilities of HK$53,525,000 for such COVID-19 sales return, being the amount of consideration received for which the Group does be expected to be entitled should the relevant products be returned.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the carrying amounts of accruals and other payables were mainly denominated in RMB and approximated their fair values.

The Company

Accruals and other payables of the Company represents accrued listing expenses as at 30 June 2020.

27 Borrowings

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Bank borrowings, secured	812,992	662,628	206,529	74,386
Non-current				
Bank borrowings, secured	185,263	211,182	207,396	73,548
	998,255	873,810	413,925	147,934
Borrowings are repayable as follows:				
– Within 1 year	812,992	662,628	206,529	74,386
– Between 2 and 5 years	185,263	211,182	207,396	73,548
	998,255	873,810	413,925	147,934

Borrowings of the Group were denominated in below currencies:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	972,303	873,810	413,925	147,934
USD	25,952	–	–	–
	998,255	873,810	413,925	147,934

As at 31 December 2017, 2018, 2019 and 30 June 2020, the effective interest rate of bank borrowings was 4.6%, 5.0%, 4.6% and 4.3% per annum.

Bank borrowings are secured by corporate guarantees, buildings (Note 15), bank deposits (Note 20) and land use rights (Note 16) provided by the Company and certain of its subsidiaries.

The carrying amounts of the borrowings approximated their fair values.

The Group has complied with the financial covenants of its borrowing facilities during the Track Record Period.

The Group has undrawn borrowing facilities amounting to HK$329,000,000, HK$1,077,000,000, HK$1,739,000,000 and HK$1,659,000,000 as at 31 December 2017, 2018, 2019 and 30 June 2020 respectively.

28 Consolidated statements of cash flows

(a) Reconciliation of profit before income tax to net cash generated from operations is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit before income tax	113,230	701,915	1,475,241	328,803	428,805
Adjustments for:					
– Interest income	(3,126)	(6,218)	(5,652)	(2,154)	(4,136)
– Interest expense	47,123	53,455	32,188	20,328	4,703
– Depreciation of property, plant and equipment	94,917	108,367	102,674	53,085	52,121
– Loss/(gain) on disposals of plant and equipment, net	1,057	–	(298)	(443)	293
– (Gain)/loss on disposals of property, net	(152)	–	376	–	–
– Write-off of property, plant and equipment	–	3,438	–	–	–
– Provision for/(reversal of) impairment loss of inventory	28,927	(33,605)	–	–	–
– Gain on disposal of right-of-use assets	(8,631)	–	–	–	–
– Loss/(gain) on early termination of leases	182	(42)	–	–	–
– Depreciation of right-of-use assets	35,101	43,831	36,023	18,227	20,927
– Amortisation of intangible assets	16,475	23,062	15,213	7,133	12,849
– Amortisation of deferred government grant	(583)	(1,420)	(1,340)	(670)	(797)
– Net provision for/(reversal of) impairment of financial assets	16,073	(6,151)	1,867	(226)	6,459
Operating profit before working capital changes	340,593	886,632	1,656,292	424,083	521,224
Changes in working capital:					
– Inventories	280,440	(12,474)	200,512	141,704	(77,284)
– Trade and bills receivables	(54,165)	(256,895)	(641,013)	36,526	592,550
– Prepayments, deposits and other receivables	(98,745)	104,337	(52,636)	11,358	16,539
– Trade and bills payables	412,612	(229,649)	(149,818)	(321,968)	(154,252)
– Contract liabilities, accruals and other payables	(145,729)	(164,431)	144,898	(150,356)	(143,374)
– Amounts due to related companies	1,563	(2,335)	(3,053)	(432)	(220)
Net cash generated from operations	736,569	325,185	1,155,182	140,915	755,183

(b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)	*HK$'000*
Net book amount	22,753	–	10,665	982	724
Net (loss)/gain on disposals of plant and equipment (Note 7)	(905)	–	(78)	443	(293)
Proceeds from disposals of plant and equipment	21,848	–	10,587	1,425	431

(c) In the consolidated statements of cash flows, proceeds from disposal of right-of-use assets comprise:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)	*HK$'000*
Net book amount	24,611	–	–	–	–
Gain on disposal of right-of-use assets (Note 6)	8,631	–	–	–	–
Proceeds from disposal of right-of-use assets	33,242	–	–	–	–

(d) The reconciliation of liabilities arising from financing activities is as follows:

	Bank borrowings due within 1 year	**Bank borrowings due after 1 year**	**Lease liabilities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2017	(988,721)	–	(29,463)	(1,018,184)
Cash outflows/(inflows)	236,445	(178,744)	28,653	86,354
Non-cash items:				
Addition of leases	–	–	(62,103)	(62,103)
Early termination of leases	–	–	4,490	4,490
Interest accruals	–	–	(2,899)	(2,899)
Exchange difference	(60,716)	(6,519)	(3,229)	(70,464)

	Bank borrowings due within 1 year	Bank borrowings due after 1 year	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017	(812,992)	(185,263)	(64,551)	(1,062,806)
As at 1 January 2018	(812,992)	(185,263)	(64,551)	(1,062,806)
Cash outflows/(inflows)	115,641	(35,250)	31,492	111,883
Non-cash items:				
Addition of leases	–	–	(22,148)	(22,148)
Early termination of leases	–	–	2,836	2,836
Interest accruals	–	–	(3,331)	(3,331)
Exchange difference	34,723	9,331	2,766	46,820
As at 31 December 2018	(662,628)	(211,182)	(52,936)	(926,746)
As at 1 January 2019	(662,628)	(211,182)	(52,936)	(926,746)
Cash outflows/(inflows)	446,552	(838)	33,812	479,526
Non-cash items:				
Addition of leases	–	–	(39,042)	(39,042)
Interest accruals	–	–	(3,234)	(3,234)
Exchange difference	9,547	4,624	1,251	15,422
As at 31 December 2019	(206,529)	(207,396)	(60,149)	(474,074)
(Unaudited)				
As at 1 January 2019	(662,628)	(211,182)	(52,936)	(926,746)
Cash outflows/(inflows)	102,161	(9,668)	17,329	109,822
Non-cash items:				
Addition of leases	–	–	(11,517)	(11,517)
Interest accruals	–	–	(1,527)	(1,527)
Exchange difference	2,405	851	1,099	4,355
As at 30 June 2019	(558,062)	(219,999)	(47,552)	(825,613)
As at 1 January 2020	(206,529)	(207,396)	(60,149)	(474,074)
Cash outflows	253,582	6,944	18,599	279,125
Non-cash items:				
Addition of leases	–	–	(16,609)	(16,609)
Interest accruals	–	–	(1,792)	(1,792)
Other changes	(124,174)	124,174	–	–
Exchange difference	2,735	2,730	1,161	6,626
As at 30 June 2020	(74,386)	(73,548)	(58,790)	(206,724)

(e) Significant non-cash transactions:

Except for the additions of right-of-use assets and lease liabilities upon commencement of leases, there were no other significant non-cash transactions during the Track Record Period.

29 Related party transactions

The Group

The directors of the Company are of the view that the following companies are related parties of the Group:

Company's name	**Relationship with the Group**
Guangzhou Daoming Chemical Co., Ltd.	Company owned by Mr. Luo Wengui, father of Mr. Luo Qinping
Guangzhou VAN Management Consultant Co. Ltd.	Company owned by Ms. Pan Dong
ZED Group Limited	Ultimate holding company
Aswann Ventures Limited	Immediate holding company

Save as disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties:

(a) Transactions with related parties

	Year ended 31 December			**Six months ended 30 June**	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Purchase of goods and raw materials from:					
Guangzhou Daoming Chemical Co., Ltd. (Note i)	9,170	11,919	6,568	3,201	1,129
Service fees paid to:					
Guangzhou VAN Management Consultant Co. Ltd. (Note ii)	1,756	2,150	1,177	645	–

Notes:

(i) Goods were purchased in the ordinary course of business and in accordance with the terms and prices of the underlying agreements as agreed by both parties.

(ii) The management consultancy services provided to the Group were conducted in accordance with the terms as agreed by both parties.

(b) Balances with related parties

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to related companies – Trade nature				
Guangzhou Daoming Chemical Co., Ltd.	6,202	2,862	960	837
Guangzhou VAN Management Consultant Co. Ltd	578	1,325	116	–
	6,780	4,187	1,076	837

The carrying amounts approximated their fair values and were denominated in RMB, which were unsecured, interest-free and repayable on demand. The trade balances due to the related companies represent the trade payables arising from the purchase of goods and raw materials and services from the related companies.

(c) Key management compensation

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Salaries, bonuses, allowances and other benefits	39,181	29,403	47,090	16,195	18,393
Contributions to social security plans	632	626	586	335	281
	39,813	30,029	47,676	16,530	18,674

The Company

Amount due to a subsidiary represents expenses paid by a subsidiary on behalf of the Company as at 30 June 2020.

30 Commitments

(a) Capital commitments

Capital expenditure of the Group contracted at the balance sheet date but not yet incurred is as follows:

	As at 31 December			As at 30 June	
	2017	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (Unaudited)*	*HK$'000*
Acquisition of property, plant and equipment and intangible assets:					
- Contracted but not provided for	52,283	42,496	194,424	269,072	232,802

(b) Operating lease as lessee

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group has recognised right-of-use assets for non-cancellable leases where the Group is a lessee, except for short-term leases. The future aggregate minimum lease payments under non-cancellable short-term leases not recognised in the Historical Financial Information are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Buildings				
- No later than 1 year	10,757	7,107	6,671	3,223

31 Contingent liabilities

Saved as disclosed elsewhere in this report, as at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group and the Company did not have any significant contingent liabilities.

32 Events after the balance sheet date

a. On 23 September 2020, the Company has adopted a Pre-IPO Share Option Scheme. On 23 September 2020, pursuant to the Pre-IPO Share Option Scheme, the Company has granted an aggregate of 61,651,000 share options, representing rights to subscribe for 61,651,000 Shares to certain grantees who are the employees of the Group (including directors and members of the Company's senior management team).

b. Given the dynamic nature of COVID-19 pandemic, the Group will pay close attention to the COVID-19 development continuously and evaluate its impact on the financial position and operating results of the Group.

c. Immediately prior to the Listing, the Company will allot and issue a total of 4,999,990,000 Shares credited as fully paid at par value of HK$0.01 each by way of capitalisation of the sum of HK$49,999,900 standing to the credit of the share premium account.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to the last reported balance sheet date: 30 June 2020 and up to the date of this report. Save as disclosed in this report, no other dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2020.

The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of our Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the sections headed "Financial Information" and "Appendix I – Accountant's Report".

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to the owners of the Company as at 30 June 2020 as if the Global Offering had taken place on 30 June 2020.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2020 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of our Group attributable to owners of the Company as at 30 June 2020	Interim dividend declared	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at 30 June 2020	Unaudited pro forma adjusted consolidated net tangible assets per Share
	Note 1	Note 2	Note 3		Note 4
	HK$'000	HK$'000	HK$'000	HK$'000	*HK$*
Based on an Offer Price of HK$10.20 per Share	2,939,548	(2,300,000)	7,430,306	8,069,854	1.40
Based on an Offer Price of HK$13.16 per Share	2,939,548	(2,300,000)	9,597,401	10,236,949	1.78

Notes:

1. The audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2020 is extracted from the section headed "Appendix I – Accountant's Report", which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2020 of approximately HK$3,079,008,000 with an adjustment for the intangible assets attributable to the owners of the Company as at 30 June 2020 of approximately HK$139,460,000.

2. In June 2020, the Company declared an interim dividend in the amount of HK$2,300,000,000. Such dividend is conditional upon the Global Offering being completed on or before 31 December 2021. For the purpose of illustration only, had the interim dividend been settled by the new term

loan with principal amount of HK$2,300,000,000 on 30 June 2020 and based on estimated net proceeds of approximately HK$8,513,854,000 from the Global Offering based on an Offer Price of HK$11.68 per Share (being the mid-point of the indicative Offer Price range), excluding listing expenses of approximately HK$21,448,000 which has been accounted for in the consolidated statements of comprehensive income up to 30 June 2020, the gearing ratio of the Group as at 30 June 2020 would have been 27.0%, which is calculated by dividing the adjusted total debt (representing the aggregation of the total debt as at 30 June 2020 of approximately HK$206,724,000 as set out in Appendix I and the term loan of HK$2,300,000,000) by the adjusted total equity (representing the aggregation of the total equity as at 30 June 2020 of approximately HK$3,079,008,000 as set out in Appendix I and the estimated net proceeds of approximately HK$8,513,854,000, net of the abovementioned interim dividend).

3. The estimated net proceeds from the Global Offering are based on 747,126,500 Shares and the indicative Offer Prices of HK$10.20 per Offer Share and HK$13.16 per Offer Share, being the low end to high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses, excluding listing expenses of approximately HK$21,448,000 which has been accounted for in the consolidated statements of comprehensive income up to 30 June 2020, and does not take account of any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be allotted and issued upon exercise of any share options which may be granted under the Pre-IPO Share Option Scheme, or Shares which may be granted and issued or repurchased by our Company pursuant to the general mandate and the repurchase mandate.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that a total of 5,747,126,500 Shares were in issue assuming that the Global Offering and the Capitalisation Issue had been completed on 30 June 2020 but taking no account of any Shares (a) which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Pre-IPO Share Option Scheme; or (b) which may be issued and repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 June 2020.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Blue Moon Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Blue Moon Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages *II-1* to *II-2* of the Company's prospectus dated 4 December 2020, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages *II-1* to *II-2* of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2020 as if the proposed initial public offering had taken place at 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the six months ended 30 June 2020, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited 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.

Our firm applies Hong Kong Standard on Quality Control 1 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.

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Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practises generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practises.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors 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 Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 4 December 2020

REGULATIONS IN RELATION TO FOREIGN INVESTMENT

The establishment, operation and management of companies in PRC are governed by the PRC Company Law (《中華人民共和國公司法》) (the "**Company Law**"), which was promulgated by the SCNPC on 29 December 1993, became effective on 1 July 1994 and was last revised on 26 October 2018. Under the Company Law, companies are generally classified into two categories, i.e. limited liability companies and companies limited by shares. Each limited liability company or company limited by shares is an enterprise legal person and is liable for its debts with all its assets. The Company Law is also applicable to foreign-invested companies, except otherwise set out in any other regulations.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**") was promulgated on 15 March 2019 by the National People's Congress (the "**NPC**") and became effective on 1 January 2020. As the fundamental law governing the foreign investment in the PRC, the FIL replaced the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》). Pursuant to the FIL, the foreign-invested enterprises established prior to the effective date of the FIL may keep their corporate forms within five years; "foreign investors" means natural person, enterprise, or other organisation of a foreign country; "foreign-invested enterprises" means any enterprise established under PRC law that is wholly or partially invested by foreign investors and "foreign investment" means any foreign investor's direct or indirect investment in China, including: (1) establishing foreign-invested enterprises in China either individually or jointly with other investors, (2) obtaining shares, equities, property shares or other similar rights and interests of enterprises within the territory of China, (3) investing in new projects in China either individually or jointly with other investors, and (4) making investment through other means provided by laws, administrative regulations, or the provisions of the State Council of the PRC (the "**State Council**").

The FIL stipulates that China implements the management system of pre-establishment national treatment and a negative list to foreign investment. Foreign investors are barred from investing in prohibited industries on the negative list and must comply with the specified requirements when investing in restricted industries on that list. When a licence is required to enter a certain industry, the foreign investor must apply for such licence, and the government must treat the application the same as one applied by a domestic enterprise, except where laws or regulations set out otherwise. Furthermore, pursuant to the FIL, the government generally will not expropriate foreign investment, except under special circumstances, in which case it will provide fair and reasonable compensation to foreign investors in a timely manner.

The Implementing Regulations of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementing Regulations of the FIL**") was promulgated on 26 December 2019 by the State Council and became effective on 1 January 2020, which replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), the Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprises (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外商投資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》). The Implementing Regulations of the FIL specifies that no foreign investor may invest in any industry prohibited by the negative list and foreign investors making investments in the restricted industry shall comply with the special administrative measures for restricted access such as requirements on shareholding and senior executives as stipulated in the negative list. In addition, foreign investment which has or may have an impact on the national security shall be subject to the national security review. Pursuant to the Implementing Regulations of the FIL, foreign investors or foreign-invested enterprises shall submit the investment information to the competent department of commerce through the enterprise registration system and the National Enterprise Credit Information Publicity System. The competent department of commerce and the department of market regulation under the State Council shall effectively ensure the linkage of relevant business systems and provide guidance for foreign investors or foreign-invested enterprises on submission of investment information.

The Catalogue of Industries for Encouraging Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄（2019年版）》) (the "**Catalogue**") and Special Administrative Measures for Foreign Investment Access (Negative List) (2019 Version) (《外商投資准入特別管理措施（負面清單）（2019年版）》) (the "**Negative List**") were jointly promulgated by the National Development and Reform Commission and the MOFCOM on 30 June 2019 and implemented on 30 July 2019. The Catalogue and the Negative List stipulated in detail the areas of entry pertaining to the categories of encouraged foreign investment industries, restricted foreign investment industries and prohibited foreign investment industries. Any industry not listed in the Catalogue or Negative List is a permitted industry. According to the Catalogue and Negative List, the daily chemical manufacturing and sales business, cleaning of textiles and fur products are permitted industries for foreign investment.

REGULATIONS IN RELATION TO THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

Pursuant to the M&A Rules, mergers and acquisitions of domestic enterprises by foreign investors refers to:

- a foreign investor converts a non-foreign invested enterprise (domestic company) to a foreign invested enterprise by purchasing the equity interest from the shareholder of such domestic company or the increased capital of the domestic company; this is defined as "equity merger and acquisition"; or

- a foreign investor establishes a foreign invested enterprise to purchase the assets from a domestic enterprise by agreement and operates the assets therefrom; or

- foreign investor purchases the assets from a domestic enterprise by agreement and uses these assets to establish a foreign invested enterprise for the purpose of operation of such assets; this is defined as "assets merger and acquisition".

Pursuant to the M&A Rules, mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOFCOM or its delegates at provincial level since 2006. In the event that any domestic company, enterprise or natural person merges or acquires a domestic company that has affiliated relationship with it through an overseas company legally established or controlled by such domestic company, enterprise or natural person, the merger and acquisition applications shall be submitted to the MOFCOM for approval. The person concerned may not evade from the above requirements by domestic investment of the foreign-invested enterprises or by other means.

REGULATIONS IN RELATION TO FOREIGN EXCHANGE

General Administration of Foreign Exchange

According to the Regulations on Foreign Exchange Administration of the PRC (Revised in 2008) (《中華人民共和國外匯管理條例（2008年修訂）》) which was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996, and was last revised on 5 August 2008, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interests and dividends. Current account foreign exchange income may, in accordance with relevant provisions of the PRC, be retained or sold to any financial institution engaged in foreign exchange settlement and sales business. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local branches. Payments for transactions that take place within the PRC must be made in Renminbi. PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local branches.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "**SAFE Circular 59**") which was promulgated by the SAFE on 19 November 2012, became effective on 17 December 2012 and was last revised on 30 December 2019, the approval is not required for the opening of an account and deposit in foreign exchange accounts under direct investment or for domestic transfer of the foreign exchange under direct investment. The SAFE Circular 59 also simplifies the capital verification and confirmation formalities for foreign invested enterprises and foreign exchange registration formalities required for the foreign investors to acquire the equity interests of Chinese party, and further improves the administration on exchange settlement of foreign exchange capital of foreign invested enterprises.

In light of the Circular of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**") which was promulgated by the SAFE on 13 February 2015, became effective on 1 June 2015 and was last revised on 30 December 2019, to improve the efficiency on foreign exchange management, the SAFE has cancelled the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment. In addition, the SAFE Circular 13 simplifies the procedure of registration of foreign exchange and investors shall register with banks for foreign exchange under the condition of direct domestic investment and direct overseas investment.

The Circular of the SAFE on Reforming the Management Approach regarding the 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》) (the "**SAFE Circular 19**"), which was promulgated by the SAFE on 30 March 2015, became effective on 1 June 2015 and was last revised on 30 December 2019, adopts the approach of discretional foreign exchange settlement. The discretional settlement of the foreign exchange capital of foreign-invested enterprises refers to that the settlement of foreign exchange capital in the capital accounts of foreign-funded enterprises that have been subject to the confirmation of cash capital contribution at foreign exchange authorities (or the entry registration of cash contribution at banks) may be handled at banks based on the enterprises' actual requirements for business operation. The proportion of discretional settlement of foreign exchange capital of foreign-funded enterprises is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate times.

The Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**") was promulgated by the SAFE and became effective on 9 June 2016. According to the SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency into Renminbi on self-discretionary basis. The SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital, foreign debts and repatriated funds raised through overseas listing) on self-discretionary basis, which applies to all enterprises registered in China. The SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or expenditure prohibited by laws and regulations of PRC, and may not be used for investments in securities or other investment with the exception of bank financial products that can guarantee the principal within China unless otherwise specifically provided. In addition, the converted Renminbi may not be used to make loans for unrelated enterprises unless it is within the business scope, nor to build or to purchase any real estate that is not for the enterprise's own use with the exception for the real estate enterprise.

On 26 January 2017, the SAFE promulgated the Circular of the SAFE on Further Improving Reform of Foreign Exchange Administration and Optimising Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the "**SAFE Circular 3**"), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) when a bank handles outward remittance of profits equivalent to more than US$50,000 for a domestic institution, under the principle of genuine transaction, the bank shall check board resolutions regarding profit distribution, the original version of tax filling records and audited financial statements, and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to the SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilisation arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

On 23 October 2019, the SAFE promulgated the Circular of the SAFE on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**SAFE Circular 28**"), which cancelled the restriction on domestic equity investment of capital funds by non-investment foreign-invested enterprises. Pursuant to the SAFE Circular 28, on the basis of allowing investment-oriented foreign-invested enterprises (including foreign-invested investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) to use capital funds for domestic equity investment in accordance with laws and regulations, non-investment foreign-invested enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the laws on the premise of not violating the existing special management measures for entry of foreign investment (negative list) and the authenticity and compliance of their domestic invested projects.

Regulations in relation to Offshore Investment

Pursuant to the SAFE Circular 37, a domestic resident shall, before contributing the domestic and overseas lawful assets or interests to a special purpose vehicle ("**SPV**"), apply to the foreign exchange office for foreign exchange registration of overseas investments. In addition, in the event of any change of basic information of the overseas SPV such as the individual shareholder, name or operation term, or if there is an increase of capital, decrease of capital, equity transfer or swap, merge, spin-off or other change of the material items, the domestic resident shall complete the foreign exchange modification registration procedures for offshore investment. After the completion of the overseas financing, the SPV shall comply with the related provisions on Chinese foreign investment and foreign debt administration if the capital financed is repatriated for use within the territory of China. Failure to comply with the registration procedures as set out in the SAFE Circular 37 may result in penalties.

The SAFE Circular 13 has further revised the SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than the SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

Pursuant to the Stock Option Rules, individuals participating in any stock incentive plan of any overseas publicly listed company who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year (subject to a few exceptions) are required to register with the SAFE or its local branches and complete certain other procedures through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agent shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax in Relation to Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) which was promulgated by the SAT and became effective on 24 August 2009, listed companies and their domestic organisations shall, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATIONS IN RELATION TO TAXATION

Enterprise Income Tax

According to the EIT Law, which was promulgated by the NPC on 16 March 2007, became effective on 1 January 2008 and was last revised by SCNPC on 29 December 2018, and the Implementing Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the "**Implementing Regulations**") which was promulgated by the State Council on 6 December 2007, became effective on 1 January 2008 and was last amended on 23 April 2019, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside China. Under the EIT Law and the Implementing Regulations, a uniform corporate income tax rate of 25% is applicable. However, for non-resident enterprises which have not formed permanent establishments or premises in China, or if they have formed permanent establishment institutions or premises in China but there is no actual relationship between the relevant income derived in China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% of their income sourced from inside China. High-tech enterprises to which the state needs to give key support are subject to the reduced enterprise income tax rate of 15%.

Pursuant to the Administrative Measures for Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》), which was promulgated by the Ministry of Science and Technology, the Ministry of Finance (the "**MOF**") and the SAT, became effective on 1 January 2008 and was amended on 29 January 2016, the certificate of a high-tech enterprise is valid for three years. An enterprise shall, after being accredited as a high-tech enterprise, fill out and submit the statements on annual conditions concerning the intellectual property rights, scientific and technical personnel, expenses on research and development and operating income for the previous year on the "website for the administration of accreditation of high-tech enterprises" (高新技術企業認定管理工作網). If a high-tech enterprise is renamed or in the event of any major change relating to the certification conditions (such as division, merger, restructuring and change of business operations, among others), the enterprise shall report to the certification authority within three months. If the certification conditions are met upon examination by the certification authority, the qualification of the enterprise as a high-tech enterprise shall remain unchanged; if the enterprise is renamed, the certification certificate shall be reissued and the number and validity period thereof shall remain unchanged; or if the certification conditions are not met, the enterprise shall be disqualified as a high-tech enterprise from the year when it is renamed or any condition changes.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Avoidance of Double Tax Arrangement**") which was promulgated by the SAT and the Hong Kong Special Administrative Region Government and became effective on 21 August 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Avoidance of Double Tax Arrangement and other applicable laws, the 10% withholding tax on the dividends a Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from competent tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement 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》) (the "**Notice No. 81**") issued by the SAT on 20 February 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a transaction or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

Pursuant to the Announcement of the State Administration of Taxation on Issues Concerning Enterprise Income Tax Related with Enhancing the Western Region Development Strategy(《國家稅務總局關於深入實施西部大開發戰略有關企業所得稅問題的公告》) which was promulgated by the SAT and became effective on 1 January 2011, from 1 January 2011 to 31 December 2020, any enterprise that is located in the western regions and engaged in the industrial activities as listed in the "Catalogue of Encouraged Industries in Western Regions" as its major business from which the revenue in the current year accounts for more than 70% of its total revenue shall pay enterprise income tax at the rate of 15% after its application is approved by the in-charge taxation authorities.

Value Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on 13 December 1993 and amended on 5 November 2008, 6 February 2016 and 19 November 2017, respectively, and the Implementation Rules of the PRC Interim Regulations on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on 25 December 1993 and amended on 15 December 2008 and 28 October 2011, respectively, entities or individuals that sell goods or provide labour services of processing, repair or replacement, and that sell services, intangible assets or immovables, or that import goods within the territory of the PRC are taxpayers of value-added tax. Unless stated otherwise, the tax rate for value-added tax payers who are selling goods, labour services, or providing tangible movable property leasing services or importing goods shall be 17%.

On 16 November 2011, the MOF and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》). Since 1 January 2012, the PRC government has been gradually implementing a pilot programme in certain provinces and municipalities, to levy a value-added tax at the rate of 11% or 6% on the taxable income generated from certain kinds of services in lieu of the 5% business tax. On 23 March 2016, the MOF and the SAT released the Circular on the Nationwide Implementation of Transformation Pilot Program of Value-Added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) and its appendices, according to which the pilot programme of value-added tax in lieu of business tax was implemented nationwide from 1 May 2016. Pursuant to the Decision of the State Council on Repealing the Interim Regulation of the PRC on Business Tax and Amending the Interim Regulations of the PRC on Value-Added Tax (《國務院關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》) promulgated by the State Council on 19 November 2017, the business tax has been abolished.

According to the Notice of the MOF and the SAT on Adjusting the Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated by the MOF and the SAT on 4 April 2018 and became effective on 1 May 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previously applicable 17% and 11% tax rates were adjusted to 16% and 10%, respectively. In addition, on 20 March 2019, the MOF, the SAT and General Administration of Customs released the Announcement on Policies for Deepening the Value Added Tax Reform (《關於深化增值稅改革有關政策的公告》), according to which for general value added tax payers' sales activities or imports that were subject to value added tax at an existing applicable rate of 16% or 10%, the applicable value added tax rate was adjusted to 13% or 9% respectively.

REGULATIONS IN RELATION TO EMPLOYMENT AND SOCIAL WELFARE

The Labour Law and the Labour Contract Law

According to the Labour Law of the PRC (《中華人民共和國勞動法》) which was promulgated by the SCNPC on 5 July 1994 and became effective on 1 January 1995, and was last revised on 29 December 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by national rules and standards on workplace safety and sanitation, and educate labourers about labour safety and sanitation. Labour safety and sanitation facilities shall comply with national standards. Enterprises and institutions shall provide labourers with a safe workplace and sanitation conditions which comply with national rules.

The principal regulations governing the employment contract is the Labour Contracts Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labour Contracts Law**"), which was promulgated by the SCNPC on 29 June 2007, revised on 28 December 2012 and became effective on 1 July 2013. Pursuant to the Labour Contracts Law, employers shall establish employment relationship with employees on the date that they start employing the employees. To establish the employment relationship, a written employment contract shall be concluded. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

According to Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》) which was promulgated by the Ministry of Human Resources & Social Security on 24 January 2014 and became effective on 1 March 2014, an employer may employ dispatched workers in temporary, auxiliary or substitutable positions only and shall strictly control the number of dispatched workers employed which shall not exceed 10% of the total number of its workers.

Social Insurance and Housing Fund Regulations

According to the Social Insurance Law which was promulgated by the SCNPC on 28 October 2010 and became effective on 1 July 2011 and was revised on 29 December 2018, employers are required to provide their employees in the PRC with welfare schemes covering pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. If an employer does not pay the full amount of social insurance premiums as required by law, the social insurance premium collection institution shall order the employer to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If such overdue payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

Pursuant to the Housing Accumulation Funds Regulation, which was promulgated by State Council and became effective on 3 April 1999, and was last revised on 24 March 2019, enterprises must complete registration at the competent administrative centre of housing provident fund and go through the procedures of opening the account of housing provident fund for their employees at the relevant bank upon the registration by such administrative centre of housing provident fund. Enterprises as employers are also obliged to timely pay and deposit housing provident fund for their employees in full amount.

REGULATIONS IN RELATION TO INTELLECTUAL PROPERTY

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on 23 August 1982 and amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019, respectively, registered trademarks are trademarks approved to be registered by the Trademark Office, including goods trademarks, service trademarks, collective marks and certification marks. A trademark registrant shall have the right to exclusively use the registered trademark, which is protected by law. Any natural person, legal person, or other organisation that needs to acquire the right to exclusively use a trademark on the goods or services thereof in the course of business operations shall apply to the Trademark Office for trademark registration.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**") which was promulgated by the SCNPC, became effective on 1 June 1991 and was amended on 27 October 2001 and 26 February 2010, respectively, works of Chinese citizens, legal entities or other organisations, whether published or not, shall enjoy copyright in accordance with this law. Works include computer software, works of fine art, drawings of engineering designs and product designs and other graphic works as well as model works. Except as otherwise provided in the Copyright Law, copying, distributing, performing, screening, broadcasting, compiling, or distributing through the information network the work to the public, without the permission of the copyright owner, constitutes an infringement of copyright.

Patent

The Patent Law of the PRC (《中華人民共和國專利法》) (the "**Patent Law**") was promulgated by the SCNPC on 12 March 1984, became effective on 1 April 1985, and was amended on 4 September 1992, 25 August 2000 and 27 December 2008, respectively. According to the Patent Law, "invention-creations" in this law include inventions, utility models and designs. An invention or utility model for which a patent is to be granted shall be novel, inventive and practically applicable. Without permission of the patentee, no entity or individual shall exploit the patent.

Internet Domain Name

The Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) was promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and became effective on 1 November 2017. According to this regulation, the domain names used by those engaging in internet information services shall comply with laws and regulations and the relevant provisions of telecommunications administrations, and no domain name may be used to commit any illegal act.

REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) which was promulgated by the SCNPC on 26 December 1989 and amended on 24 April 2014, enterprises, public institutions and other producers and business operators that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, waste residues, medical waste, dust, malodorous gas, radioactive substances, noise, vibration, optical radiation and electromagnetic radiation and others generated during production, construction or other activities. Enterprises and public institutions that discharge pollutants shall each establish an environmental protection responsibility system and specify the responsibilities of the persons in charge and relevant personnel thereof. Facilities for the prevention and control of pollution in a construction project shall be designed, built and put into production and used together with the principal part of the project. The preparation of relevant development and utilisation plans and the construction of the projects having an impact on the environment shall be subject to environmental impact assessment in accordance with the law. For any development and utilisation plan, in the absence of the environmental impact assessment in accordance with the law, the plan shall not be implemented; for any construction project, in the absence of the environmental impact assessment in accordance with the law, the construction of the project shall not be commenced.

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) which was promulgated by the SCNPC on 28 October 2002 and amended on 2 July 2016 and 29 December

2018 respectively, and the Rule on Classification for Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價文件分級審批規定》) which was promulgated by the former Ministry of Environmental Protection on 16 January 2009 and became effective on 1 March 2009, the state classifies the management over the assessment of the environmental impacts of construction projects according to the seriousness of the impacts. If the environmental impacts may be significant, a comprehensive assessment report of the environmental impacts is required; if the environmental impacts may be mild, an analysis or specific assessment report of the environmental impacts is required; if the environment impacts may be very small so that it is not necessary to conduct an assessment of the environmental impacts, a registration form of the environmental impacts is required. The construction work shall not start before the environmental impact assessment documents are approved by competent administrative department.

According to the Rules on the Administration concerning Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998 and amended on 16 July 2017, the Regulations on Administration concerning the Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收管理辦法》) promulgated on 27 December 2001 and amended on 22 December 2010, and the Interim Measures concerning the Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the former Ministry of Environmental Protection on 20 November 2017, where a construction project needs complementary environmental protection facilities, those facilities must be designed, constructed and become operational at the same time as the main parts of the project. The project owner shall, after the completion of the construction project for which the environmental impact report or the environmental impact statement is prepared, according to standards and procedures prescribed by the environmental protection administrative department of the State Council, conduct acceptance check of the constructed complementary environmental protection facilities. The construction project may not be put into production or use until the constructed supporting environmental protection facilities have passed the acceptance check. The facilities that have not undergone or fail to pass the acceptance check shall not be put into production or use.

Pursuant to the Measures for Pollutant Discharge Permitting Administration (Trial) (《排污許可管理辦法（試行）》), which was promulgated by the former Ministry of Environmental Protection, became effective on 10 January 2018 and was last amended on 22 August 2019, the Ministry of Environmental Protection shall develop and issue a classification administration list of pollutant discharge permit for fixed pollution sources. The enterprises, public institutions and other business operators on the list shall apply for and obtain a pollutant discharge permit according to the prescribed application time limit.

REGULATIONS IN RELATION TO PLANNING, CONSTRUCTION AND FIRE PROTECTION

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) which was promulgated by the SCNPC on 25 June 1986, last amended on 26 August 2019 and became effective on 1 January 2020, land owned by the State may be remised or allotted to construction units or individuals in accordance with the law. The people's government at or above the county level shall register and put on record uses of state-owned land used by units or individuals, and issue certificates to certify the land use rights.

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) which was promulgated by the SCNPC on 28 October 2007, became effective on 1 January 2008 and was revised on 24 April 2015 and 23 April 2019, respectively, a Construction Land Planning Permit is required for the right to use the state-owned land acquired by assignment and appropriation. To build any structure, fixture, road, pipeline or other engineering project within a city or town planning area, the construction entity or individual shall apply to the competent department of urban and rural planning under the people's government of the city or county or the town people's government specified by the people's government of the province, autonomous region or municipality directly under the Central People's Government of the PRC (the "**Central Government**") for a planning permit on construction project.

According to the Construction Law of the PRC (《中華人民共和國建築法》) which was promulgated by the SCNPC on 1 November 1997, became effective on 1 March 1998 and was revised on 22 April 2011 and 23 April 2019, respectively, construction units shall, in accordance with the relevant provisions of the State, apply to the competent construction administrative departments under the county level governments or above for construction licences, except for small projects below the threshold value set by the competent construction administrative department under the State Council.

According to the Rules on the Administration of Construction Quality (《建設工程質量管理條例》) which was promulgated by the State Council on 30 January 2000 and amended on 7 October 2017 and 23 April 2019, respectively, and the Administrative Measures for Recording of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructures (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) which was promulgated by the former Ministry of Construction on 4 April 2000 and revised by the Ministry of Housing and Urban-Rural Development on 19 October 2009, a construction project shall not be delivered for use unless it has passed the completion-based check. The construction entity should file a record to a competent construction administrative department of the people's government at or above the county level of the place where the project is located within 15 days after the construction project passes the acceptance checks.

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) which was promulgated by the SCNPC on 29 April 1998 and amended on 28 October 2008 and 23 April 2019, respectively, the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards of project construction. The designing, construction, project supervision and other entities shall be responsible for the quality of fire prevention design and construction quality according to the law. Where the housing and urban-rural development authority under the State Council requires that an application for fire prevention final inspection of an as-built construction project should be filed, the constructing party shall file such an application to the housing and urban-rural development authority. For a construction project other than one specified in the preceding paragraph, the constructing party shall report to the housing and urban-rural development authority after final inspection for record, and the housing and urban-rural development authority shall conduct spot checks.

REGULATIONS IN RELATION TO PRODUCING OUR PRODUCTS

In accordance with the Regulations of the PRC on the Administration of Production Licence for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) which was promulgated by the State Council on 9 July 2005 and became effective on 1 September 2005, as well as the Measures for Implementation of the Regulations of the PRC on the Administration of Production Licence for Industrial Products (《中華人民共和國工業產品生產許可證管理條例實施辦法》) which was promulgated by the State Administration of Quality Supervision, Inspection and Quarantine on 21 April 2014 and became effective on 1 August 2014, the production licence system applies to the producers of materials in direct contact with food and other products that are subject to the production licence management specified by laws and administrative regulations. Any enterprise that does not obtain an industrial standard product licence is not allowed to manufacture the products listed in the catalogue. No organisation or individual may sell or use the products listed in the catalogue without the production licence in the business activities. If within the validity period of a production licence, there is any change in production conditions, inspection means, or production technologies or process of an enterprise (including change in the production address construction of new production lines or any major technical transformation), the enterprise shall file an application with the provincial quality and technical supervision bureau in the place where it is located within one month after such change occurs. The General Administration of Quality Supervision, Inspection and Quarantine or a provincial quality and technical supervision bureau shall, according to the procedures as prescribed by the Measures for Implementation of the Regulations of the PRC on the Administration of Production Licence for Industrial Products, organise field verification and product inspection. And if there is any change in the name of enterprise, the registered address or the production address, the enterprise shall file an application for alternation to the provincial quality and technical supervision bureau in the place where the enterprise located within one month from the occurrence of the change. Also, pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) promulgated by the SCNPC on 28 February 2009 and amended on 24 April 2015 and 29 December 2018, respectively, the production of food-related products with a relatively high risk such as packing materials that directly contact food shall be subject to production licensing in accordance with the relevant state provisions on the administration of production licences for industrial products. The food safety supervision and administration departments shall strengthen the supervision and administration of the production of food-related products.

In accordance with the Regulations on Implementing Production Licence for Tableware Detergent Products (《餐具洗滌劑產品生產許可實施細則》) which was promulgated by the former State Administration of Quality Supervision, Inspection and Quarantine on 9 January 2008, enterprises shall not produce tableware detergent products listed in the management of production licence without a production licence. No organisation or individual may sell or use in its business activities any tableware detergent product listed in the production licence management which has not obtained a production licence.

In accordance with the Measures for the Administration of Disinfection (《消毒管理辦法》) which was promulgated by the former State Health and Family Planning Committee, became effective on 1 July 2002 and was last amended on 26 December 2017, as well as the Sanitary Licensing Regulations for Production Enterprises of Disinfection Products (《消毒產品生產企業衛生許可規定》) which was promulgated by the former Ministry of Health, became effective on 1 January 2010 and was last amended on 9 May 2017, after obtaining a business licence issued by the administrative department for industry and commerce, a production enterprise of disinfectant, disinfecting apparatus, and sanitation supplies shall also obtain a disinfectant standard product licence issued by the provincial administrative department of health and family planning at the place where it is located, before manufacturing disinfection products. The disinfectant product licence shall specify the name of the unit, legal representative (person in charge), registered address, production address, mode of production, production items, production category, effective period, approval date, licence number, among others. After obtaining the disinfectant product licence, if the mode of production, the items of production and the types of production are changed, an application for change shall be submitted to the provincial health administrative department, which shall be checked according to the requirements of the new application. And if the name of the enterprise, the legal representative (person in charge), the registered address or the street name of the production site is changed, an application for alteration shall be filed with the provincial health administrative department.

In accordance with the Regulations Concerning the Hygiene Supervision over Cosmetics (《化妝品衛生監督條例》) which was issued by the former Ministry of Health of the PRC on 13 November 1989 and amended on 2 March 2019, as well as the Detailed Rules for the Implementation of the Regulation on the Hygiene

Supervision over Cosmetics (《化妝品衛生監督條例實施細則》) which was issued by the former Ministry of Health on 27 March 1991 and amended on 1 June 2005, cosmetics production enterprises shall be subject to the production permit system. Cosmetics product license shall be approved and issued by the cosmetics supervision and administration departments of provinces, autonomous regions and municipalities directly under the Central Government. A cosmetics product license shall be valid for five years. No entity may engage in the production of cosmetics without a cosmetics product license. An enterprise that produces cosmetics for non-special use shall make a filing to the health administrative department within two months after the products are on sale in the market. In case an enterprise that has obtained cosmetics production permit produces any new cosmetic product, it shall report to the cosmetics supervision and administration departments of provinces, autonomous regions and municipalities directly under the Central Government for archival filing. In case a production enterprise of cosmetics changes its factory site, establishes a branch or a workshop at a place outside the factory complex, it shall apply for the cosmetics production permit to the cosmetics supervision and administration departments of provinces, autonomous regions and municipalities directly under the Central Government. A cosmetics production enterprise that changes its name shall apply for recertification at the licence issuing organ. In addition, according to the Notice on Adjusting Related Matters Concerning the Administration of the Registration and Registration of Cosmetics (《關於調整化妝品註冊備案管理有關事宜的通告》) which was issued by the former State Food and Drug Administration and became effective on 16 December 2013, starting from 30 June 2014, domestic non-special cosmetics production enterprises should file online product information records before the products are marketed.

In accordance with the Work Safety Law of the PRC (《中華人民共和國安全生產法》) which was issued by the SCNPC on 31 August 2014 and became effective on 1 December 2014, business entities must establish and improve their work safety responsibility systems and work safety polices and rules, improve work safety conditions, promote work safety standardisation, improve their work safety levels and ensure work safety.

REGULATIONS IN RELATION TO PRODUCTS QUALITY

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) which was promulgated by the SCNPC on 22 February 1993 and was subsequently amended on 8 July 2000, 27 August 2009 and 29 December 2018, respectively, "product" referred to in this law means a product which is processed or manufactured for the purpose of sale. A producer shall be liable for compensation if his defective product causes damage to human body or property other than the defective product itself. A producer shall not be liable for compensation if he can prove the existence of any of the following circumstances: (a) the product has not been put in circulation, (b) the defect causing the damage did not exist at the time when the product was put in circulation, or (c) the science and technology at the time the product was put in circulation was at a level incapable of detecting the defect.

Pursuant to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》) which was promulgated by the NPC on 12 April 1986 and amended on 27 August 2009, both the manufacturer and the seller shall be responsible for the property damage or personal injury caused by the relevant defective products.

Pursuant to the Tort Liability Law of the PRC (《中華人民共和國侵權責任法》) which was promulgated by the SCNPC on 26 December 2009 and became effective on 1 July 2010, a manufacturer shall assume tort liability where the defects in relevant products cause damage to others. A seller shall assume tort liability where the defects in relevant products causing damage to others are attributable to the seller. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

REGULATIONS IN RELATION TO CONSUMER PROTECTION AND COMPETITION LAW

Consumer protection

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the "**Consumer Protection Law**''), which was promulgated by the SCNPC on 31 October 1993, became effective on 1 January 1994 and was amended on 27 August 2009 and 25 October 2013, respectively. According to the Consumer Protection Law, where business operators sell commodities on the internet, on television, over telephone, or by mail order, among others, consumers shall have the right to return the commodities within seven days of receipt of them without cause, subject to certain exceptions. Moreover, the rights and interests of the consumers who buy or use commodities or receive services for the purposes of daily consumption are protected and all manufacturers and distributors involved must ensure that the products and services they provide will not cause damage to the safety of consumers and their properties. Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the operator will be ordered to suspend operations and its business licence will be revoked. Criminal liability may be incurred in serious cases.

Competition law

Competitions among the business operators are generally governed by the Law of the PRC for Anti-Unfair Competition (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**"), which was promulgated by the SCNPC on 2 September 1993, became effective on 1 December 1993 and was amended on 4 November 2017 and 23 April 2019, respectively. According to the Anti-Unfair Competition Law, when trading in the market, business operators should abide by the principles of voluntariness, equality, fairness, honesty and credibility, and abide by laws and recognised business ethics. Unfair competition means a business operator, in violation of the Anti-Unfair Competition Law, disrupts the competition order and infringes the legitimate rights and interests of other business operators or consumers. When the legitimate rights and interests of a business operator are damaged by unfair competition, it may start a lawsuit in the People's Court. In contrast, if a business operator violates the provisions of the Anti-Unfair Competition Law, engages in unfair competition and causes damage to another business operator, it shall be liable for damages. If the damage suffered by the business operator is difficult to assess, the amount of damages shall be the profit obtained by the infringer through the infringement. The infringer shall also bear all reasonable expenses paid by the infringed business operator to stop the infringement.

Price law

According to the Price Law of the PRC (《中華人民共和國價格法》) (the "**Price Law**") which was promulgated by the SCNPC on 29 December 1997 and became effective on 1 May 1998, business operators should observe the principles of fairness, lawfulness and good faith when they determine the prices. The production and operation costs and the market supply and demand situation should be the fundamental basis for the business operators to determine the price. When selling or purchasing goods and providing services, the operator shall clearly indicate the price and indicate the name, origin of production, specifications, grade, valuation unit, price or service item, charging standards and other related particulars in accordance with the requirements of the competent government price department. Business operators shall not sell the goods at a price beyond the marked price or charge unspecified fees on top of price indicated. In addition, business operators may not take illegitimate pricing actions, such as colluding with others to manipulate market prices and damaging the legitimate rights and interests of other business operators or consumers. Any business operator engaged in the act of illegitimate pricing stipulated by the Price Law shall be ordered to make corrections, have the illegal income be confiscated, and may be imposed a fine of no more than five times of its illegal income; if the circumstances are serious, the business shall be ordered to suspend for rectification, or the administrative department for industry and commerce shall revoke the business licence. In addition, any business operator who causes consumers or other operators to pay higher prices due to illegal pricing acts should refund the overpaid portion; if any damage is caused, it shall be liable for compensation according to law. Any business operator who violates the provisions on clearly marked price shall be ordered to make corrections, have the illegal income be confiscated, and may be imposed a fine of no more than RMB 5,000.

REGULATION ON E-COMMERCE ACTIVITIES

On 31 August 2018, the SCNPC promulgated the E-Commerce Law, which became effective on 1 January 2019. Business activities conducted online to sell commodities or offer services shall be governed by the E-Commerce Law. Pursuant to the E-Commerce Law, e-commerce operators refer to natural persons, legal persons and unincorporated organisations that engage in business activities of selling commodities or offering services through the internet and other information networks, including e-commerce platform operators, intra-platform business operators and other e-commerce operators that sell commodities or offer services through a self-built website or other network services. An e-commerce operator shall, in business operation, abide by the principles of voluntariness, equality, fairness and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for quality of products or services and accept the supervision by the government and the public.

E-commerce operators shall complete the market entity registration (unless no such registration is required by laws and administrative regulations) and obtain the relevant administrative licences for conducting those operational activities which are required by law to obtain administrative licences. Commodities sold or services offered by e-commerce operators shall meet the requirements to protect personal and property safety and the environmental protection requirements, and e-commerce operators shall not sell or provide any commodity or service prohibited by laws and administrative regulations. E-commerce operators shall fulfil the tax payment obligation and issue purchase vouchers or service receipts such as invoices when selling commodities or providing services. An e-commerce operator shall also (including without limitation): (i) continuously display its business licence information and administrative licence, or relevant information which indicates that it does not need to complete the market entity registration in a prominent position on its homepage, (ii) disclose information about commodities or services in a comprehensive, truthful, accurate and timely manner so as to safeguard the consumers' right to know and right of choice, (iii) deliver commodities or services according to its commitment or the ways and time limits as agreed upon with consumers, and bear the risks and responsibilities when commodities are in transit, and (iv) bring the tie-in sales of commodities or services to consumers' attention in a significant manner and shall not set tie-in commodities or services as default options. Where an e-commerce operator ceases to engage in e-commerce business, it shall continuously announce relevant information in a prominent position on its homepage 30 days in advance.

According to the Administrative Measures for Online Trading (《網絡交易管理辦法》) which was promulgated by the former SAIC on 26 January 2014 and became effective on 15 March 2014, e-commerce operators shall obtain relevant administrative licences required by law.

REGULATIONS IN RELATION TO ADVERTISING BUSINESS

The Advertising Law of the PRC (《中華人民共和國廣告法》) (the "**Advertising Law**") was promulgated by the SCNPC on 27 October 1994 and amended on 24 April 2015 and 26 October 2018, respectively. This law regulates contents of advertisements, code of conduct for advertising and the supervision and administration of advertising industry. It also stipulates that advertisers, advertising operators and advertisement publishers shall abide by the Advertising Law and other laws and regulations, be honest and trustworthy and compete in a fair manner in advertising business. According to the Advertising Law, an advertisement shall be prohibited from using "national", "highest", "best", or other comparative words. The data, statistics, investigation results, excerpts, quotations and other citations used in an advertisement shall be true and accurate, with the sources indicated. If any citation has a scope of application or a term of validity, the scope of application or term of validity shall be clearly indicated.

This Appendix contains a summary of the Memorandum and the Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 December 2007 under the Cayman Companies Law. Our Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of our 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 our Company is established are unrestricted (including acting as an investment company), and that our 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 Cayman Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our 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 23 November 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman company law, if at any time the share capital of our 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

Our Company may by ordinary resolution of its members:

(aa) increase its share capital by the creation of new shares;

(bb) consolidate all or any of its capital into shares of larger amount than its existing shares;

(cc) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as our Directors may determine;

(dd) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(ee) 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.

Our 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 or in such other form as our 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 our Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by section 40 of the Cayman Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that our 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.

Our 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.

Our Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by our Directors is paid to our 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 our 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 may be 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 our Board may determine. The register of members must not be closed for periods exceeding in the whole 30 days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Cayman company law and the Articles to purchase its own shares subject to certain restrictions and our Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our 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 our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

Our Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

Our Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as our Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as our Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, our Board may serve not less than 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 our 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 our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if our 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 20% per annum as our Board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of our 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. Our 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 our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on our Board or as an addition to our 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 our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our 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 our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our 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 our Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of our Board for six consecutive months, and our 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.

Our 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 our

Company for such period and upon such terms as our Board may determine and our Board may revoke or terminate any of such appointments. Our Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as our 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 our Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman company law and the Memorandum and Articles and 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 our Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

Our Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Cayman company 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 our Company are at the disposal of our Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor our 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 our 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 our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman company law to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Cayman company law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of our Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as our 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. Our 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 our 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 our Company or who performs services which in the opinion of our Board go beyond the ordinary duties of a Director may be paid such extra remuneration as our 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 our Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

Our Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our 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 past Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

Our 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 our Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

Our Board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by our Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(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 our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our 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 as if our Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with our Company or any of our Subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as our 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 our Company or any other company in which our Company may be interested, and shall not be liable to account to our 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. Our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our 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 our 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 our 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 our Company must declare the nature of his interest at the meeting of our 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 our 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 our 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 our 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 our 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 our Company or any other company which our 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 our Company by virtue only of his/their interest in shares or debentures or other securities of our 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 our 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 our Board

Our 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 our Company's name

The Articles may be rescinded, altered or amended by our 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 our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman company law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our 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 our 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 our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

Our Company must hold an annual general meeting of our Company every year within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of not more than 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to our Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, our Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than 21 clear days and not less than 20 clear business days. All other general meetings must be called by notice of at least 14 clear days and not less than ten 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 our 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 our Company, and also to, among others, the auditors for the time being of our 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 our 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 our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy need not be a member of our 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 as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

Our Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Cayman company law or necessary to give a true and fair view of our 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 our 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 our Company except as conferred by law or authorised by our Board or our 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 our Company at its general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than 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 our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our 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 our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our 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

Our 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 our Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman company 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. Our 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 our Company on account of calls or otherwise.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, our 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 our Board may think fit.

Our Company may also upon the recommendation of our Board by an ordinary resolution resolve in respect of any one particular dividend of our 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 our 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 our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared our 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 our Board for the benefit of our Company until claimed and our 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 our Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our 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 hours during business hours by members without charge, or by any other persons upon a maximum payment of HK$2.50 or such lesser sum specified by our Board, at the registered office or such other place at which the register is kept in accordance with the Cayman company law or, upon a maximum payment of HK$1.00 or such lesser sum specified by our 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 our Company under Cayman Islands law, as summarised in the subsection headed "(f) Protection of minorities and shareholders' suits" in this Appendix.

(j) Procedures on liquidation

A resolution that our 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 our Company is wound up and the assets available for distribution amongst the members of our 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 our 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 our 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 Cayman company law, divide among the members *in specie* or in kind the whole or any part of the assets of our 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 Cayman company law, if warrants to subscribe for shares have been issued by our Company and our 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

Our Company is incorporated in the Cayman Islands subject to the Cayman company 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, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman company 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 Cayman company 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: (i) paying distributions or dividends to members, (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares, (iii) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law), (iv) writing off the preliminary expenses of the company, and (v) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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 Cayman company law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman company law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company are 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 to 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 Cayman company 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 Cayman company 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 (i) an act which is *ultra vires* the company or illegal, (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company and (iii) 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 the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition to 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: (i) an order regulating the conduct of the company's affairs in the future, (ii) 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, (iii) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct or (iv) 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 Cayman company law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to: (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place, (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, our Company has obtained an undertaking:

(i) 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 our Company or its operations; and

(ii) 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 our Company.

The undertaking for our Company is for a period of 20 years from 8 January 2008.

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 our 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 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 Cayman company law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of our Company have no general right under the Cayman company law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our 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. The register of members shall contain such particulars as required by section 40 of the Cayman Companies Law. A branch register must be kept in the same manner in which a principal register is by the Cayman company 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 from time to time.

There is no requirement under the Cayman company 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

Our 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 30 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, 25% or more 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 our Company are listed on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (i) compulsorily by order of the Court, (ii) voluntarily or (iii) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances, including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purposes of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by giving at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 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 months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four 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 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).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Appendix VI – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in 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/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 27 December 2007, under the name "BLUE MOON INTERNATIONAL HOLDINGS LIMITED 藍月亮國際控股有限公司". Our name was changed to "Blue Moon Group Holdings Limited 藍月亮集團控股有限公司" on 21 May 2008. Our registered office address is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Our Company has established a place of business in Hong Kong at Unit 4606, 46th Floor, COSCO Tower, Grand Millennium Plaza, No. 183 Queen's Road Central, Hong Kong. Our Company was registered as an overseas company in Hong Kong, under Part XI of the former Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (now known as non-Hong Kong company under Part 16 of the Companies Ordinance) on 2 June 2008, with Ms. Pan of Flat A, 49/F, Tower 8A, Bel-Air No. 8, 8 Bel-Air Peak Avenue, Hong Kong, appointed as the Hong Kong authorised representative of our Company on 21 April 2008, for acceptance of the service of process and any notices required to be served on our Company in Hong Kong. Our Company's principal place of business in Hong Kong is at Unit 4606, 46th Floor, COSCO Tower, Grand Millennium Plaza, No. 183 Queen's Road Central, Hong Kong.

As at the Latest Practicable Date, our Company's head office in the PRC was located at No. 36, Pu Nan Road, Yun Pu Industrial Zone, Huangpu District, Guangzhou, PRC.

As our Company was incorporated in the Cayman Islands, our operations are subject to Cayman Islands law and to the Memorandum and the Articles of Association. A summary of the relevant sections of the Memorandum and the Articles of Association of our Company and the relevant aspects of the Cayman company law is set out in the section headed *"Appendix IV – Summary of the Memorandum and the Articles of Association of our Company and Cayman Company Law"*.

2. Changes in the Share Capital of our Company

As at the date of incorporation of our Company, the authorised share capital of our Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

The following alterations in the issued and paid up share capital of our Company have taken place since its date of incorporation up to the date of this prospectus:

- On 27 December 2007, one share of our Company with par value of HK$0.01 was allotted and issued, credited as fully paid, to the initial subscriber of our Company and subsequently transferred to ZED on the same day.
- On 19 November 2010, 9,999 shares of our Company with par value of HK$0.01 each were allotted and issued, credited as fully paid, to ZED.
- On 20 November 2010, ZED transferred in total 10,000 shares of our Company with par value HK$0.01 each to Aswann.

- On 23 September 2020, our Company increased our authorised share capital from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each.

- On 22 November 2020, pursuant to the shareholding restructuring of our Group, Aswann's holding in the entire issued share capital of our Company was distributed to the shareholders of Aswann by way of a distribution *in specie* in proportion to their respective holdings of ordinary shares and preferred shares (on an as if converted basis of 1 preferred share to 1 ordinary share). For the shareholding restructuring, please refer to the section headed "History, Reorganisation and Corporate Structure – Shareholding Restructuring and Reorganisation" for details.

Immediately following the completion of the increase in our authorised share capital as set out above, the issued share capital of our Company was HK$100 divided into 10,000 Shares of HK$0.01 each, all fully paid or credited as fully paid, and HK$99,999,900 divided into 9,999,990,000 Shares of HK$0.01 each, remained unissued.

Immediately following the completion of the Global Offering (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any outstanding share options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, our issued share capital will be HK$57,471,265 divided into 5,747,126,500 Shares, all fully paid or credited as fully paid and 4,252,873,500 Shares will remain unissued.

Save as disclosed above and in the subsection headed "A. Further Information about our Group – 3. Written Resolutions of our sole Shareholder passed on 23 September 2020" below, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Written Resolutions of our sole Shareholder passed on 23 September 2020

On 23 September 2020, resolutions of our Company were passed by our Shareholders pursuant to which, among other things:

(a) our authorised share capital was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each; and

(b) the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in the subsection headed "D. Pre-IPO Share Option Scheme" below were approved and adopted, and our Directors were authorised to approve any amendments to the rules of the Pre-IPO Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant share options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of share options granted under the Pre-IPO Share Option Scheme and to take all such steps as may be necessary or desirable or expedient to implement the Pre-IPO Share Option Scheme.

4. Written Resolutions of our Shareholders passed on 23 November 2020

On 23 November 2020, resolutions of our Company were passed by our Shareholders pursuant to which, among other things:

(a) our Company approved and adopted the Memorandum of Association and the Articles of Association conditional upon and with effect from Listing; and

(b) conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in the section headed "Structure of the Global Offering – Conditions of the Global Offering" and pursuant to the terms set out therein:

(i) the Global Offering and the Over-allotment Option was approved and our Directors were authorised to implement the Global Offering (including but not limited to agreeing the structure of the Global Offering increase or decrease the number of Shares initially offered for subscription in the Global Offering and agreeing the Offer Price Range of the Global Offering and the final Offer Price);

(ii) the Listing was approved and our Directors were authorised to implement the Listing;

(iii) our Directors were authorised to allot and issue our Shares pursuant to the Global Offering, issue this prospectus and the Application Forms by our Company pursuant to the Listing Rules and transfer such number of Shares related to the Global Offering;

(iv) subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 4,999,990,000 Shares credited as fully paid at par value of HK$0.01 each to the holders of Shares whose names appear on the register of members of our Company at the close of business on the business day immediately preceding the Listing Date (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK$49,999,900 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;

(v) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to our Directors to allot, issue and deal with our Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for our Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate number of Shares allotted or agreed to be allotted by our Directors other than pursuant to a (i) rights issue, (ii) any exercise of outstanding share options granted under the Pre-IPO Share Option Scheme, (iii) any scrip dividend scheme of similar arrangement providing for the allotment of our Shares in lieu of the whole or part of a dividend on our Shares or (iv) a specific authority granted by our Shareholders in general meeting, shall not exceed the aggregate of:

(A) 20% of the total number of Shares in issue immediately following the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the outstanding share options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue; and

(B) the aggregate number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (vi) below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of our Company, (II) the end of the period within which our Company is required by the Articles or any applicable laws to hold its next annual general meeting and (III) the date on which the resolution is varied or revoked by an ordinary resolution of our Shareholders in general meeting (the "**Relevant Period**");

(vi) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase our Shares on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules, not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the outstanding share options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, such mandate to remain in effect during the Relevant Period; and

(vii) the general mandate mentioned in paragraph (v) above be extended by the addition to the aggregate nominal value of our Shares which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of our Shares repurchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (vi) above.

5. Reorganisation

The companies comprising our Group implemented and carried out certain shareholding restructuring steps in preparation for the Listing. Please refer to the section headed "History, Reorganisation and Corporate Structure – Shareholding Restructuring and Reorganisation" for details.

6. Changes in the Share Capital of our Subsidiaries

Details of the subsidiaries of our Company are set out in the section headed "Appendix I – Accountant's Report". The following changes in the share capital of the subsidiaries of our Company have taken place within two years immediately preceding the date of this prospectus:

- On 3 June 2020, the registered capital of Chengdu Moon House was increased from RMB8,000,000 to RMB16,000,000.
- On 8 May 2019, the registered capital of Blue Moon Tianjin was increased from US$30,000,000 to US$36,000,000.
- On 8 January 2019, Nantong Moon House was incorporated in the PRC with a registered capital of RMB8,000,000.

Save as set out above and in the section headed "Appendix I – Accountant's Report", there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

7. Repurchases by our Company of its own securities

This subsection sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association of our Company and the Listing Rules and the applicable laws and regulations of the Cayman Islands. 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 Companies Law, any repurchases by our Company may be made out of profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Cayman Companies Law, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (A) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules) and (B) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that the ability to repurchase our Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) if the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 5,747,126,500 Shares in issue immediately following the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the outstanding share options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, could accordingly result in up to approximately 574,712,650 Shares being repurchased by our Company during the period prior to:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the end of the period within which our Company is required by the Articles or any applicable law to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close 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 in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the 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.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

Our Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) the underwriting agreement dated 3 December 2020 relating to the Hong Kong Public Offering and entered into by our Company, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited and the Hong Kong Underwriters;

(b) the deed of amendment dated 28 June 2020 entered into by our Company, Aswann, ZED, Blue Moon BVI, Blue Moon Group, Blue Moon Industrial, Blue Moon Tianjin, Blue Moon China, Blue Moon Kunshan, Xingshuo Guangzhou, Villa La Luna Group, Villa La Luna, Ms. Pan, HCM, CCIL, Hai Fei, Allied Power Limited and Van Group Limited relating to the Shareholders Agreement referred to in the section headed "History, Reorganisation and Corporate Structure";

(c) a cornerstone investment agreement dated 2 December 2020, entered into among our Company, BOCHK Asset Management Limited (acting as investment manager of certain managed accounts under its management as set out therein), China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, Merrill Lynch Far East Limited, BOCI Asia Limited and the Joint Global Coordinators, pursuant to which BOCHK Asset Management Limited (acting as investment manager of certain managed accounts set out therein) agreed to procure such managed accounts to subscribe for such number of Offer Shares which may be purchased with an amount of HK$232,500,000 at the Offer Price;

(d) a cornerstone investment agreement dated 2 December 2020, entered into among our Company, Dazhong (Hong Kong) International Corporation Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, Merrill Lynch Far East Limited and the Joint Global Coordinators, pursuant to which Dazhong (Hong Kong) International Corporation Limited agreed to subscribe for such number of Offer Shares which may be purchased with the Hong Kong dollar equivalent of US$45,000,000 at the Offer Price;

(e) a cornerstone investment agreement dated 2 December 2020, entered into among our Company, Fullerton Fund Management Company Ltd. (acting as investment manager for and on behalf of certain funds and investment accounts under its management as set out therein), China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, Merrill Lynch Far East Limited and the Joint Global Coordinators, pursuant to which it was agreed that funds and investment accounts under the management of Fullerton Fund Management Company Ltd. would subscribe for such number of Offer Shares which may be purchased with the Hong Kong dollar equivalent of US$30,000,000 at the Offer Price;

(f) a cornerstone investment agreement dated 2 December 2020, entered into among our Company, Most Well Investment Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, Merrill Lynch Far East Limited, BNP Paribas Securities (Asia) Limited and the Joint Global Coordinators, pursuant to which Most Well Investment Limited agreed to subscribe for such number of Offer Shares which may be purchased with the Hong Kong dollar equivalent of US$45,000,000 at the Offer Price;

(g) a cornerstone investment agreement dated 2 December 2020, entered into among our Company, Poly Platinum Enterprises Limited, China International Capital Corporation

Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, Merrill Lynch Far East Limited and the Joint Global Coordinators, pursuant to which Poly Platinum Enterprises Limited agreed to subscribe for such number of Offer Shares which may be purchased with an amount of HK$271,250,000 at the Offer Price; and

(h) a cornerstone investment agreement dated 2 December 2020, entered into among our Company, Veritas Asset Management LLP, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, Merrill Lynch Far East Limited and the Joint Global Coordinators, pursuant to which Veritas Asset Management LLP agreed to subscribe for such number of Offer Shares which may be purchased with the Hong Kong dollar equivalent of US$50,000,000 at the Offer Price.

2. Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights are material to our Group's business:

(a) Trademarks

(i) As at the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Registration Date	Expiry Date
1.	蓝月亮	3, 5	Blue Moon Industrial	HK	303731337	1 April 2016	31 March 2026
2.	蓝月亮	35, 37, 41, 43	Blue Moon Industrial	HK	303003768	21 May 2014	20 May 2024
3.	蓝月亮	3	Blue Moon Industrial	PRC	7613055	7 November 2010	6 November 2030
4.	蓝月亮	5	Blue Moon Industrial	PRC	7613053	21 January 2011	20 January 2031
5.	蓝月亮	3	Blue Moon Industrial	PRC	4312816	21 December 2007	20 December 2027
6.	蓝月亮洗衣大师	9	Blue Moon Industrial	PRC	20901792	7 October 2019	6 October 2029
7.	蓝月亮 机洗神器	3	Blue Moon Industrial	PRC	16118349	7 September 2016	6 September 2026
8.	蓝月亮预涂神器	3	Blue Moon Industrial	PRC	21304444	14 November 2017	13 November 2027
9.	蓝色月光	3	Blue Moon Industrial	PRC	11639144	28 March 2014	27 March 2024

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Registration Date	Expiry Date
10.	克星	3	Blue Moon Industrial	PRC	876074	7 October 1996	6 October 2026
11.	克星	3	Blue Moon Industrial	PRC	33062572	7 May 2019	6 May 2029
12.	克星	3	Blue Moon Industrial	PRC	36213285	14 December 2019	13 December 2029
13.	卫诺	5	Blue Moon Industrial	PRC	9808631	7 October 2012	6 October 2022
14.	卫诺	5	Blue Moon Industrial	PRC	4833639	14 February 2009	13 February 2029
15.	Volo	5	Blue Moon Industrial	PRC	5034245	28 July 2009	27 July 2029
16.	Volo	5	Blue Moon Industrial	PRC	5034246	28 July 2009	27 July 2029
17.	至尊	3	Blue Moon Industrial	PRC	25835671	7 August 2018	6 August 2028
18.		3	Blue Moon Industrial	PRC	1484310	7 December 2000	6 December 2030
19.		3	Blue Moon Industrial	PRC	10272671	14 February 2013	13 February 2023
20.		3	Blue Moon Industrial	PRC	10272672	14 February 2013	13 February 2023
21.		3	Blue Moon Industrial	PRC	6980368	7 June 2010	6 June 2030
22.	果泡多多	3	Blue Moon Industrial	PRC	6980367	7 June 2010	6 June 2030
23.	天露	3	Blue Moon Industrial	PRC	8748795	7 December 2011	6 December 2021
24.	净享	3	Blue Moon Industrial	PRC	6764446	7 April 2010	6 April 2030
25.	净享	3	Blue Moon Industrial	PRC	33062566	28 September 2019	27 September 2029
26.	至尊洗衣	37	Blue Moon Industrial	PRC	23679798	14 September 2018	13 September 2028

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Registration Date	Expiry Date
27.	月亮小屋	9, 22	Villa La Luna	PRC	14909808	7 November 2015	6 November 2025
28.	月亮小屋	37	Villa La Luna	PRC	9808628	7 October 2012	6 October 2022
29.	神器	3	Blue Moon Industrial	PRC	40087862	14 July 2020	13 July 2030
30.	晨露	3	Blue Moon Industrial	PRC	39697690	7 June 2020	6 June 2030
31.	蓝月亮的世界	35	Blue Moon Industrial	PRC	39659438	7 June 2020	6 June 2030
32.	神器	3	Blue Moon Industrial	PRC	37168889	28 May 2020	27 May 2030
33.	Volo	3	Blue Moon Industrial	PRC	33062564	28 June 2020	27 June 2030

(ii) As at the Latest Practicable Date, our Group had applied for registration of the following trademarks which are material to its business:

No.	Trademark	Class	Applicant	Place of Registration	Application Number	Application Date
1.	净享	3	Blue Moon Industrial	PRC	40526601	22 August 2019
2.	天露	3	Blue Moon Industrial	PRC	42141974	6 November 2019
3.	净享	3	Blue Moon Industrial	PRC	47401002	19 June 2020
4.	净享	3	Blue Moon Industrial	PRC	47414350	19 June 2020
5.	果泡多多	3	Blue Moon Industrial	PRC	50780927	28 October 2020
6.	蓝月亮	21	Blue Moon Industrial	PRC	50780387	28 October 2020

(b) Domain Names

As at the Latest Practicable Date, our Group had registered the following domain names which are material to its business:

No.	Domain Name	Registered Owner	Place of Registration	Date of Registration	Expiry Date
1.	bluemoon.com.cn	Blue Moon China	PRC	23 June 1998	23 June 2027
2.	bm.link	Blue Moon China	PRC	12 March 2018	12 March 2021
3.	xiyidashi.com	Blue Moon China	PRC	14 November 2016	14 November 2021
4.	xiyidashi.com.cn	Blue Moon China	PRC	14 November 2016	14 November 2021
5.	xididashi.com	Blue Moon China	PRC	21 November 2016	21 November 2021
6.	xididashi.com.cn	Blue Moon China	PRC	21 November 2016	21 November 2021
7.	xiyizaixian.com	Blue Moon China	PRC	11 September 2012	11 September 2021

(c) Patents

(i) As at the Latest Practicable Date, our Group had the following patents which are material to its business:

No.	Patent Name	Patent Type	Registered Owner	Place of Registration	Patent Number	Grant Date	Expiry Date
1.	Slow-dissolving block detergent and its manufacturing method (一種緩溶型塊狀清潔劑及其製備方法)	Invention	Blue Moon Industrial	PRC	ZL200910038273.4	27 March 2009	26 March 2029
2.	Fabric softener and its manufacturing method (一種衣物柔順劑及其製備方法)	Invention	Blue Moon Industrial	PRC	ZL201010181142.4	18 May 2010	17 May 2030
3.	Packaging bottle (500LF) (包裝瓶 (500LF))	Design	Blue Moon Industrial	PRC	ZL201230040371.4	27 February 2012	26 February 2022
4.	Packaging bottle (500DG) (包裝瓶 (500DG))	Design	Blue Moon Industrial	PRC	ZL201230167098.1	11 May 2012	10 May 2022

No.	Patent Name	Patent Type	Registered Owner	Place of Registration	Patent Number	Grant Date	Expiry Date
5.	Method for improving aroma and appearance stability of the cleaning composition and the cleaning composition (一種改善清潔組合物中香氣及外觀穩定性的方法及清潔組合物)	Invention	Blue Moon Industrial	PRC	ZL201210182408.6	5 June 2012	4 June 2032
6.	Packaging bottle (LG) (包裝瓶（LG）)	Design	Blue Moon Industrial	PRC	ZL201230348281.1	27 July 2012	26 July 2022
7.	Pump head (LG) (泵頭（LG）)	Design	Blue Moon Industrial	PRC	ZL201230452453.X	20 September 2012	19 September 2022
8.	Packaging bottle (KC) (包裝瓶(KC))	Design	Blue Moon Industrial	PRC	ZL201330041075.0	18 February 2013	17 February 2023
9.	Packaging bottle (LH) (包裝瓶（LH）)	Design	Blue Moon Industrial	PRC	ZL201330041081.6	18 February 2013	17 February 2023
10.	Packaging bottle cap (LH) (包裝瓶蓋（LH）)	Design	Blue Moon Industrial	PRC	ZL201330041082.0	18 February 2013	17 February 2023
11.	Multi-cavity bottle liquid outflow structure (一種多腔瓶出液結構)	Invention	Blue Moon Industrial	PRC	ZL201310328081.3	31 July 2013	30 July 2033
12.	Double-cavity bottle liquid outflow structure (一種雙腔瓶出液結構)	Utility model	Blue Moon Industrial	PRC	ZL201320462750.1	31 July 2013	30 July 2023
13.	Packaging bottle (XA) (包裝瓶 (XA))	Design	Blue Moon Industrial	PRC	ZL201330407307.X	22 August 2013	21 August 2023
14.	Quick testing method of protein remains on fabrics (一種快速檢測織物上蛋白質殘留的方法)	Invention	Blue Moon Industrial	PRC	ZL201310551773.4	8 November 2013	7 November 2033
15.	Liquid spraying type container lid (一種噴液式容器蓋)	Utility model	Blue Moon Industrial	PRC	ZL201320706940.3	11 November 2013	10 November 2023
16.	Lid of solid container with weighting function (一種固體容器定量蓋)	Utility model	Blue Moon Industrial	PRC	ZL201320706826.0	11 November 2013	10 November 2023
17.	Packaging bottle (QB) (包裝瓶(QB))	Design	Blue Moon Industrial	PRC	ZL201430029748.5	17 February 2014	16 February 2024
18.	Packaging bottle (XB) (包裝瓶 (XB))	Design	Blue Moon Industrial	PRC	ZL201430029749.X	17 February 2014	16 February 2024

No.	Patent Name	Patent Type	Registered Owner	Place of Registration	Patent Number	Grant Date	Expiry Date
19.	Packaging bottle (LI) (包裝瓶 (LI))	Design	Blue Moon Industrial	PRC	ZL201430070789.9	28 March 2014	27 March 2024
20.	Pressing type nozzle improvement device (按壓式噴頭改進裝置)	Utility model	Blue Moon Industrial / Jiangsu Dejin Plastic Packaging Co., Ltd. (江蘇德晉塑膠包裝有限公司)	PRC	ZL201420498243.8	29 August 2014	28 August 2024
21.	Bottle lid with two colours (雙色瓶蓋)	Design	Blue Moon Industrial	PRC	ZL201430350619.6	18 September 2014	17 September 2024
22.	Dodecanol glucose gemini surfactant compound and its preparation method (一種十二醇葡萄糖雙子表面活性劑複配物及其製備方法)	Invention	Blue Moon Industrial	PRC	ZL201410521042.X	30 September 2014	29 September 2034
23.	Pump structure (一種泵頭結構)	Utility model	Blue Moon Industrial	PRC	ZL201520146558.0	13 March 2015	12 March 2025
24.	Plastic packing structure (一種吸塑包裝結構)	Utility model	Blue Moon Industrial	PRC	ZL201520146360.2	13 March 2015	12 March 2025
25.	Liquid outflow lid structure for multi-cavity bottle (一種用於多腔瓶的出液蓋結構)	Utility model	Blue Moon Industrial	PRC	ZL201520145196.3	13 March 2015	12 March 2025
26.	Emulsion pump (600LI) (乳液泵 (600LI))	Design	Blue Moon Industrial	PRC	ZL201530328905.7	28 August 2015	27 August 2025
27.	New type of hand-holding distributor (一種新型手持式分配器)	Utility model	Blue Moon Industrial	PRC	ZL201520842580.9	28 October 2015	27 October 2025
28.	Pump direction structure (一種泵頭定向結構)	Utility model	Blue Moon Industrial	PRC	ZL201520842582.8	28 October 2015	27 October 2025
29.	Hand-held distributor that is easy for -holding by hand (一種便於握持的手持式分配器)	Utility model	Blue Moon Industrial	PRC	ZL201520844075.8	28 October 2015	27 October 2025

No.	Patent Name	Patent Type	Registered Owner	Place of Registration	Patent Number	Grant Date	Expiry Date
30.	Buckle structure preventing the opening of the emulsion pump (一種乳液泵防開啟卡扣結構)	Utility model	Blue Moon Industrial	PRC	ZL201520842581.3	28 October 2015	27 October 2025
31.	Hand-held type distributor pressure head limit structure (一種手持式分配器壓頭限位結構)	Utility model	Blue Moon Industrial	PRC	ZL201521076328.8	22 December 2015	21 December 2025
32.	Detergent composition (一種洗滌劑組合物)	Invention	Blue Moon Industrial	PRC	ZL201610559102.6	15 July 2016	14 July 2036
33.	Structure of liquid outflow pump (一種出液泵結構)	Utility model	Blue Moon Industrial	PRC	ZL201620803940.9	28 July 2016	27 July 2026
34.	Liquid container structure and refilling liquid system (一種液體容器結構及補充液系統)	Utility model	Blue Moon Industrial	PRC	ZL201620802925.2	28 July 2016	27 July 2026
35.	Packing bag with dent (一種帶凹痕的包裝袋)	Utility model	Blue Moon Industrial	PRC	ZL201621153931.6	31 October 2016	30 October 2026
36.	Packing bag for refilling liquid (一種補充液包裝袋)	Utility model	Blue Moon Industrial	PRC	ZL201621153934.X	31 October 2016	30 October 2026
37.	Liquid container (一種液體容器)	Utility model	Blue Moon Industrial	PRC	ZL201621187952.X	4 November 2016	3 November 2026
38.	Liquid container (一種液體容器)	Invention	Blue Moon Industrial	PRC	ZL201610961086.3	4 November 2016	3 November 2036
39.	Care composition, care agent, the manufacturing methods and application (一種護理組合物、護理劑及其製備方法和應用)	Invention	Blue Moon Industrial	PRC	ZL201611089573.1	1 December 2016	30 November 2036
40.	Elastic and hollow polymer microspheres with microchannels on surfaces, its manufacturing method and application (一種表面具有微孔道中空聚合物彈性微球及其製備方法和應用)	Invention	Blue Moon Industrial	PRC	ZL201611089124.7	1 December 2016	30 November 2036

No.	Patent Name	Patent Type	Registered Owner	Place of Registration	Patent Number	Grant Date	Expiry Date
41.	Plastic and hollow polymer microspheres with microchannels on surfaces, its manufacturing method and application (一種表面具有微孔道中空聚合物塑性微球及其製備方法和應用)	Invention	Blue Moon Industrial	PRC	ZL201611089125.1	1 December 2016	30 November 2036
42.	Improvement equipment for a pressing type spray head (一種按壓式噴頭改進裝置)	Utility model	Blue Moon Industrial	PRC	ZL201720374600.3	11 April 2017	10 April 2027
43.	Lid for an inverted packing bottle (一種倒置包裝瓶的瓶蓋)	Utility model	Blue Moon Industrial	PRC	ZL201720654447.X	6 June 2017	5 June 2027
44.	Inverted support structure for a liquid bottle (一種液體包裝瓶的倒置架結構)	Utility model	Blue Moon Industrial	PRC	ZL201720654349.6	6 June 2017	5 June 2027
45.	Liquid container bottle structure (一種液體包裝瓶結構)	Utility model	Blue Moon Industrial	PRC	ZL201720654403.7	6 June 2017	5 June 2027
46.	Liquid packing bottle (一種液體包裝瓶)	Utility model	Blue Moon Industrial	PRC	ZL201720654420.0	6 June 2017	5 June 2027
47.	Lid of a packing bottle (一種包裝瓶的瓶蓋)	Utility model	Blue Moon Industrial	PRC	ZL201720654350.9	6 June 2017	5 June 2027
48.	Lid（300QE）(蓋（300QE）)	Design	Blue Moon Industrial	PRC	ZL201730256318.0	20 June 2017	19 June 2027
49.	Lid（300QD）(蓋（300QD）)	Design	Blue Moon Industrial	PRC	ZL201730267645.6	20 June 2017	19 June 2027
50.	Bottle (300QDE) (瓶（300QDE）)	Design	Blue Moon Industrial	PRC	ZL201730256310.4	20 June 2017	19 June 2027
51.	Bottle (300QE) (瓶（300QE）)	Design	Blue Moon Industrial	PRC	ZL201730256650.7	20 June 2017	19 June 2027
52.	Packaging bottle (300QE-2) (包裝瓶（300QE-2）)	Design	Blue Moon Industrial	PRC	ZL201730256010.6	20 June 2017	19 June 2027
53.	Packaging bottle (300QE) (包裝瓶（300QE）)	Design	Blue Moon Industrial	PRC	ZL201730256317.6	20 June 2017	19 June 2027
54.	Bottle (300QD) (瓶（300QD）)	Design	Blue Moon Industrial	PRC	ZL201730256649.4	20 June 2017	19 June 2027
55.	Packaging bottle (300QD) (包裝瓶（300QD）)	Design	Blue Moon Industrial	PRC	ZL201730256316.1	20 June 2017	19 June 2027

No.	Patent Name	Patent Type	Registered Owner	Place of Registration	Patent Number	Grant Date	Expiry Date
56.	Lid structure of a measuring cup (一種量杯蓋結構)	Utility model	Blue Moon Industrial	PRC	ZL201720762151.X	27 June 2017	26 June 2027
57.	Lid（300QCF） (蓋（300QCF）)	Design	Blue Moon Industrial	PRC	ZL201730295920.5	7 July 2017	6 July 2027
58.	Bottle (300QC) (瓶（300QC）)	Design	Blue Moon Industrial	PRC	ZL201730295918.8	7 July 2017	6 July 2027
59.	Bottle (300QF) (瓶（300QF）)	Design	Blue Moon Industrial	PRC	ZL201730295922.4	7 July 2017	6 July 2027
60.	Packaging bottle (300QF) (包裝瓶（300QF）)	Design	Blue Moon Industrial	PRC	ZL201730295937.0	7 July 2017	6 July 2027
61.	Packaging bottle (300QC) (包裝瓶（300QC）)	Design	Blue Moon Industrial	PRC	ZL201730295938.5	7 July 2017	6 July 2027
62.	Refilling liquid package bag with a line-like opening (一種帶線狀開口的補充液包裝袋)	Utility model	Blue Moon Industrial	PRC	ZL201720951385.9	1 August 2017	31 July 2027
63.	Refilling liquid packaging bag that is easy to rip off and convenient for storage and transportation (一種既易撕又方便儲運的補充液包裝袋)	Utility model	Blue Moon Industrial	PRC	ZL201720951391.4	1 August 2017	31 July 2027
64.	Slow-flow bottle lid (一種緩流瓶蓋)	Utility model	Blue Moon Industrial	PRC	ZL201721023824.6	15 August 2017	14 August 2027
65.	Slow-flow bottle lid (一種緩流瓶蓋)	Utility model	Blue Moon Industrial	PRC	ZL201721023844.3	15 August 2017	14 August 2027
66.	Packing bottle structure for fixed amount of extrusion (一種可定量擠出的包裝瓶結構)	Utility model	Blue Moon Industrial	PRC	ZL201721023941.2	15 August 2017	14 August 2027
67.	Packaging bottle (300QD-2) (包裝瓶（300QD-2）)	Design	Blue Moon Industrial	PRC	ZL201730617954.1	7 December 2017	6 December 2027
68.	Bottle (280QC) (瓶（280QC）)	Design	Blue Moon Industrial	PRC	ZL201830127372.X	2 April 2018	1 April 2028
69.	Packaging bottle (280QC) (包裝瓶（280QC）)	Design	Blue Moon Industrial	PRC	ZL201830127093.3	2 April 2018	1 April 2028

No.	Patent Name	Patent Type	Registered Owner	Place of Registration	Patent Number	Grant Date	Expiry Date
70.	Lid（280QC）(蓋（280QC）)	Design	Blue Moon Industrial	PRC	ZL201830127388.0	2 April 2018	1 April 2028
71.	Liquid container that is easy for change of bottle core (一種易更換瓶芯的液體容器)	Utility model	Blue Moon Industrial	PRC	ZL201821041407.9	29 June 2018	30 June 2028
72.	Container (01) (容器（01）)	Design	Blue Moon Industrial	PRC	ZL201830352218.2	30 June 2018	29 June 2028
73.	Bottle（05）(瓶（05）)	Design	Blue Moon Industrial	PRC	ZL201830346310.8	30 June 2018	29 June 2028
74.	Support stand (01) (支架（01）)	Design	Blue Moon Industrial	PRC	ZL201830346071.6	30 June 2018	29 June 2028
75.	Support stand (02) (支架 (02))	Design	Blue Moon Industrial	PRC	ZL201830345726.8	30 June 2018	29 June 2028
76.	Support stand (03) (支架 (03))	Design	Blue Moon Industrial	PRC	ZL201830345644.3	30 June 2018	29 June 2028
77.	Support stand (04) (支架 (04))	Design	Blue Moon Industrial	PRC	ZL201830352217.8	30 June 2018	29 June 2028
78.	Support stand (05) (支架 (05))	Design	Blue Moon Industrial	PRC	ZL201830345842.X	30 June 2018	29 June 2028
79.	Support stand (06) (支架 (06))	Design	Blue Moon Industrial	PRC	ZL201830345808.2	30 June 2018	29 June 2028
80.	Bottle（06）(瓶 (06))	Design	Blue Moon Industrial	PRC	ZL201830609521.6	30 October 2018	29 October 2028
81.	Bottle（07）(瓶(07))	Design	Blue Moon Industrial	PRC	ZL201830609515.0	30 October 2018	29 October 2028
82.	Liquid outflow nozzle (XE) (出液嘴(XE))	Design	Blue Moon Industrial	PRC	ZL201830631448.2	8 November 2018	7 November 2028
83.	Packaging bottle (XE-3) (包裝瓶 (XE-3))	Design	Blue Moon Industrial	PRC	ZL201830631439.3	8 November 2018	7 November 2028
84.	Packaging bottle (XE-1) (包裝瓶 (XE-1))	Design	Blue Moon Industrial	PRC	ZL201830631437.4	8 November 2018	7 November 2028
85.	Packaging bottle (XE-2) (包裝瓶 (XE-2))	Design	Blue Moon Industrial	PRC	ZL201830631440.6	8 November 2018	7 November 2028

No.	Patent Name	Patent Type	Registered Owner	Place of Registration	Patent Number	Grant Date	Expiry Date
86.	Double-dosage-form container (一種雙劑型容器)	Utility model	Blue Moon Industrial	PRC	ZL201821841286.6	8 November 2018	7 November 2028
87.	New type of double-dosage-form bottle structure (一種新型雙劑瓶結構)	Utility model	Blue Moon Industrial	PRC	ZL201821841240.4	8 November 2018	7 November 2028
88.	Double-dosage-form liquid outflow nozzle structure (一種雙劑瓶出液嘴結構)	Utility model	Blue Moon Industrial	PRC	ZL201821834804.1	8 November 2018	7 November 2028
89.	Packaging bottle (XE-2-2) (包裝瓶(XE-2-2))	Design	Blue Moon Industrial	PRC	ZL201930281505.3	8 November 2018	7 November 2028
90.	a fragrance-enhancing composition containing water (一種含水增香組合物)	Invention	Blue Moon Industrial	PRC	ZL201910482773.0	4 June 2019	3 June 2039
91.	Liquid packing bag (一種液體包裝袋)	Utility model	Blue Moon Industrial	PRC	ZL201920938561.4	20 June 2019	19 June 2029
92.	Bottle (BH) (瓶 (BH))	Design	Blue Moon Industrial	PRC	ZL201930342687.0	28 June 2019	27 June 2029
93.	Liquid container (一種液體包容器)	Utility model	Blue Moon Industrial	PRC	ZL201921221462.0	29 July 2019	28 July 2029
94.	Packing container (一種包裝容器)	Utility model	Blue Moon Industrial	PRC	ZL201921221270.X	29 July 2019	28 July 2029
95.	Pulling lid for liquid container (一種液體容器用提拉蓋)	Utility model	Blue Moon Industrial	PRC	ZL201921406703.9	27 August 2019	26 August 2029
96.	Lid（LJ-1） (蓋 (LJ-1))	Design	Blue Moon Industrial	PRC	ZL201930501736.0	11 September 2019	10 September 2029
97.	Hook monoblock (02) (吊鈎殼體 (02))	Design	Blue Moon Industrial	PRC	ZL201930501367.5	11 September 2019	10 September 2029
98.	Hanger monoblock (01) (掛鈎殼體(01))	Design	Blue Moon Industrial	PRC	ZL201930501355.2	11 September 2019	10 September 2029
99.	Hanger monoblock (02) (掛鈎殼體 (02))	Design	Blue Moon Industrial	PRC	ZL201930501739.4	11 September 2019	10 September 2029
100.	Hanger monoblock (03) (掛鈎殼體 (03))	Design	Blue Moon Industrial	PRC	ZL201930501362.2	11 September 2019	10 September 2029
101.	Bottle (LJ-2) (瓶(LJ-2))	Design	Blue Moon Industrial	PRC	ZL201930501363.7	11 September 2019	10 September 2029

No.	Patent Name	Patent Type	Registered Owner	Place of Registration	Patent Number	Grant Date	Expiry Date
102.	Lid（LJ-2）(蓋（LJ-2）)	Design	Blue Moon Industrial	PRC	ZL201930501366.0	11 September 2019	10 September 2029
103.	Bottle（LJ）(瓶（LJ）)	Design	Blue Moon Industrial	PRC	ZL201930501738.X	11 September 2019	10 September 2029
104.	Bottle（LJ-1）(瓶（LJ-1）)	Design	Blue Moon Industrial	PRC	ZL201930501737.5	11 September 2019	10 September 2029
105.	Hook monoblock (01) (吊鈎殼體（01）)	Design	Blue Moon Industrial	PRC	ZL201930501364.1	11 September 2019	10 September 2029
106.	Condensed bead (star shape) (凝珠（星形）)	Design	Blue Moon Industrial	PRC	ZL201930505329.7	12 September 2019	11 September 2029
107.	Condensed bead (triangle shape) (凝珠（三角形）)	Design	Blue Moon Industrial	PRC	ZL201930505330.X	12 September 2019	11 September 2029
108.	Condensed bead (square shape) (凝珠（正方形）)	Design	Blue Moon Industrial	PRC	ZL201930504930.4	12 September 2019	11 September 2029
109.	Condensed bead (moon shape) (凝珠（月亮形）)	Design	Blue Moon Industrial	PRC	ZL201930504932.3	12 September 2019	11 September 2029
110.	Condensed bead (petal shape) (凝珠（瓣形）)	Design	Blue Moon Industrial	PRC	ZL201930505331.4	12 September 2019	11 September 2029
111.	Condensed bead (water drop shape) (凝珠（水滴形）)	Design	Blue Moon Industrial	PRC	ZL201930505328.2	12 September 2019	11 September 2029
112.	Condensed bead (clover shape) (凝珠（四葉草形）)	Design	Blue Moon Industrial	PRC	ZL201930504920.0	12 September 2019	11 September 2029
113.	Bottle (LM-1) (瓶（LM-1）)	Design	Blue Moon Industrial	PRC	ZL201930524475.4	24 September 2019	23 September 2029
114.	Bottle (LM-2) (瓶（LM-2）)	Design	Blue Moon Industrial	PRC	ZL201930525033.1	24 September 2019	23 September 2029
115.	Container lid (一種容器蓋)	Utility model	Blue Moon Industrial	PRC	ZL201921651834.3	29 September 2019	28 September 2029
116.	Anti-effusion lid (一種防溢流蓋)	Utility model	Blue Moon Industrial	PRC	ZL201921651835.8	29 September 2019	28 September 2029

No.	Patent Name	Patent Type	Registered Owner	Place of Registration	Patent Number	Grant Date	Expiry Date
117.	Measuring bottle (一種定量瓶)	Utility model	Blue Moon Industrial	PRC	ZL201921643716.8	29 September 2019	28 September 2029
118.	Measuring bottle with slow-flow function (一種帶緩流功能的定量瓶)	Utility model	Blue Moon Industrial	PRC	ZL201921645256.2	29 September 2019	28 September 2029
119.	Squeezing type measuring bottle (一種擠壓式定量瓶)	Utility model	Blue Moon Industrial	PRC	ZL201921643708.3	29 September 2019	28 September 2029
120.	Measuring package bottle with restriction equipment (一種帶限制件的定量包裝瓶)	Utility model	Blue Moon Industrial	PRC	ZL201921643744.X	29 September 2019	28 September 2029
121.	Measuring liquid outflow bottle with straw (一種帶吸管的定量出液瓶)	Utility model	Blue Moon Industrial	PRC	ZL201921662142.9	29 September 2019	28 September 2029
122.	Squeezing type measuring package container (一種擠壓式定量包裝容器)	Utility model	Blue Moon Industrial	PRC	ZL201921645188.X	29 September 2019	28 September 2029
123.	Anti-effusion lid (一種防溢流蓋)	Utility model	Blue Moon Industrial	PRC	ZL201921651901.1	29 September 2019	28 September 2029
124.	Packaging bottle cap (480AK-1) (包裝瓶蓋(480AK-1))	Design	Blue Moon Industrial	PRC	ZL201930618321.1	11 November 2019	10 November 2029
125.	Packaging bottle cap (480AK-2) (包裝瓶蓋(480AK-2))	Design	Blue Moon Industrial	PRC	ZL201930618668.6	11 November 2019	10 November 2029
126.	Packaging bottle (480AK-2) (包裝瓶（480AK-2）)	Design	Blue Moon Industrial	PRC	ZL201930618718.0	11 November 2019	10 November 2029
127.	Packaging bottle (480AK-3) (包裝瓶（480AK-3）)	Design	Blue Moon Industrial	PRC	ZL201930618709.1	11 November 2019	10 November 2029
128.	Packaging bottle (480AK-4) (包裝瓶（480AK-4）)	Design	Blue Moon Industrial	PRC	ZL201930618333.4	11 November 2019	10 November 2029
129.	Packaging bottle (480AK-5) (包裝瓶（480AK-5）)	Design	Blue Moon Industrial	PRC	ZL201930618328.3	11 November 2019	11 December 2029
130.	Packaging bottle (480AK-6) (包裝瓶（480AK-6）)	Design	Blue Moon Industrial	PRC	ZL201930618692.X	11 November 2019	10 November 2029
131.	Packaging bottle (480AK-1) (包裝瓶（480AK-1）)	Design	Blue Moon Industrial	PRC	ZL201930618348.0	11 November 2019	11 December 2029
132.	Bottle body (480AK-1) (瓶身（480AK-1）)	Design	Blue Moon Industrial	PRC	ZL201930618666.7	11 November 2019	11 December 2029

No.	Patent Name	Patent Type	Registered Owner	Place of Registration	Patent Number	Grant Date	Expiry Date
133.	Bottle body (480AK-2) (瓶身（480AK-2）)	Design	Blue Moon Industrial	PRC	ZL201930618294.8	11 November 2019	11 December 2029
134.	Delayed release device for cleaning toilet articles with curved hook (一種具有曲線掛鈎的潔廁用品延時釋放裝置)	Utility model	Blue Moon Industrial	PRC	ZL201922147805.X	4 December 2019	3 December 2029
135.	Curved hook structure suitable for side wall of toilet (一種適用於馬桶側壁的曲線掛鈎結構)	Utility model	Blue Moon Industrial	PRC	ZL201922149326.1	4 December 2019	3 December 2029
136.	Package cup (20AI-3) (包裝杯(20AI-3))	Design	Blue Moon Industrial	PRC	ZL202030025548.8	15 January 2020	14 January 2030
137.	Package cup (20AI-2) (包裝杯(20AI-2))	Design	Blue Moon Industrial	PRC	ZL202030025550.5	15 January 2020	14 January 2030
138.	Package cup (20AI-1) (包裝杯(20AI-1))	Design	Blue Moon Industrial	PRC	ZL202030025554.3	15 January 2020	14 January 2030
139.	Liquid packaging container (液體包裝容器)	Utility model	Blue Moon Industrial	PRC	ZL202020087315.5	15 January 2020	14 January 2030
140.	Package bottle (包裝瓶(260QG))	Design	Blue Moon Industrial	PRC	ZL202030092376.6	18 March 2020	17 March 2030
141.	Pump head (40KI) (泵頭(40KI))	Design	Blue Moon Industrial	PRC	ZL202030336805.X	28 June 2020	27 June 2030

(ii) As at the Latest Practicable Date, our Group had applied for the registration of the following patents which are material to our business:

No.	Patent Name	Patent Type	Applicant	Place of Registration	Application Number	Application Date
1.	Brittle and hollow polymer microspheres with microchannels on surfaces, its manufacturing method and application (一種表面具有微孔道中空聚合物脆性微球及其製備方法和應用)	Invention	Blue Moon Industrial	PRC	201611091127.4	1 December 2016
2.	Cleaning composition, cleaner, the manufacturing methods and application (一種清潔組合物、清潔劑及其製備方法和應用)	Invention	Blue Moon Industrial	PRC	201611091079.9	1 December 2016
3.	Improvement device for the pressing type spray head (一種按壓式噴頭改進裝置)	Invention	Blue Moon Industrial	PRC	201710233348.9	11 April 2017

No.	Patent Name	Patent Type	Applicant	Place of Registration	Application Number	Application Date
4.	Softening composition for fabrics containing water (含水織物柔軟組合物)	Invention	Blue Moon Industrial	PRC	201710552417.2	7 July 2017
5.	Refilling liquid packaging bag that is easy to rip off and convenient for storage and transportation (一種既易撕又方便儲運的補充液包裝袋)	Utility model	Blue Moon Industrial	PRC	201710647613.8	1 August 2017
6.	Surfactant composition (一種表面活性劑組合物)	Invention	Blue Moon Industrial	PRC	201810146789.X	12 February 2018
7.	Surfactant composition (一種表面活性劑組合物)	Invention	Blue Moon Industrial	PRC	201810146579.0	12 February 2018
8.	Detergent composition that is gentle and skin protecting (一種溫和護膚的洗滌劑組合物)	Invention	Blue Moon Industrial	PRC	201810146578.6	12 February 2018
9.	Detergent composition (一種洗滌劑組合物)	Invention	Blue Moon Industrial	PRC	201810146801.7	12 February 2018
10.	Detergent composition (一種洗滌劑組合物)	Invention	Blue Moon Industrial	PRC	201810146559.3	12 February 2018
11.	Detergent composition (一種洗滌劑組合物)	Invention	Blue Moon Industrial	PRC	201810146576.7	12 February 2018
12.	Testing method for removal of greasy dirt (一種油污剝離的測試方法)	Invention	Blue Moon Industrial	PRC	201810146787.0	12 February 2018
13.	Method for testing the anti-static electricity function of fabrics (一種測試織物抗靜電的方法)	Invention	Blue Moon Industrial	PRC	201810364895.5	23 April 2018
14.	Method for testing the PM2.5 absorption by fabrics (一種織物PM2.5吸附量的測試方法)	Invention	Blue Moon Industrial	PRC	201810364905.5	23 April 2018
15.	Test method for evaluating the cleaning effect of detergent on greasy dirt of dining plates (一種評價洗滌劑對餐盤油污洗滌效果的測試方法)	Invention	Blue Moon Industrial	PRC	201810662165.3	25 June 2018
16.	Test method for evaluating the detergent's effect of anti-oil absorption by fabric dishwashing tools (一種評價洗滌劑防織物類洗碗工具黏油功效的測試方法)	Invention	Blue Moon Industrial	PRC	201810662146.0	25 June 2018
17.	Test method for evaluating the detergent's effect of anti-oil absorption by sponge dishwashing tools (一種評價洗滌劑防海綿類洗碗工具黏油功效的測試方法)	Invention	Blue Moon Industrial	PRC	201810662688.8	25 June 2018
18.	Test method for evaluating the detergent's effect of anti-oil absorption by hands (一種評價洗滌劑防手部黏油污功效的測試方法)	Invention	Blue Moon Industrial	PRC	201810662689.2	25 June 2018

No.	Patent Name	Patent Type	Applicant	Place of Registration	Application Number	Application Date
19.	Liquid container that is easy for change of bottle core (一種易更換瓶芯的液體容器)	Invention	Blue Moon Industrial	PRC	201810714487.8	29 June 2018
20.	Container (04) (容器（04）)	Design	Blue Moon Industrial	PRC	201830352219.7	30 June 2018
21.	Method for deferred release of toilet cleaner (一種潔廁劑延時釋放的方法)	Invention	Blue Moon Industrial	PRC	201910339489.8	25 April 2019
22.	Method for slow release of toilet cleaner (一種潔廁劑緩時釋放的方法)	Invention	Blue Moon Industrial	PRC	201910340269.7	25 April 2019
23.	Test method for evaluating the decontamination effect of detergent (一種評價洗滌劑去污功效的測試方法)	Invention	Blue Moon Industrial	PRC	201910374340.3	7 May 2019
24.	Self-thickening composition of oil-containing components (一種含油性組分的自增稠組合物)	Invention	Blue Moon Industrial	PRC	201910482774.5	4 June 2019
25.	Method for anti-effusion of a container and the anti-effusion container (一種容器防溢流的方法及防溢流容器)	Invention	Blue Moon Industrial	PRC	201910939400.1	29 September 2019
26.	Package bottle (40KI) (包裝瓶 (40KI))	Design	Blue Moon Industrial	PRC	202030337255.3	28 June 2020
27.	Detergent composition (一種洗滌劑組合物)	Invention	Blue Moon Industrial	PRC	202010680821.X	15 July 2020
28.	Laundry bag (一種洗衣袋)	Utility model	Blue Moon Industrial	PRC	202021601899.X	4 August 2020
29.	Wash bag (一種護洗袋)	Utility model	Blue Moon Industrial	PRC	202021599187.9	4 August 2020
30.	Laundry bag (洗衣袋)	Design	Blue Moon Industrial	PRC	202030437541.7	4 August 2020
31.	Automatic liquid dispensing device (液體自動分配裝置)	Utility model	Blue Moon Industrial	PRC	202022543505.6	5 November 2020
32.	Automatic dispenser (自動分配器)	Utility model	Blue Moon Industrial	PRC	202022540648.1	5 November 2020
33.	Gas-liquid pump and handwashing machine (氣液泵及洗手機)	Utility model	Blue Moon Industrial	PRC	202022543559.2	5 November 2020

(d) Software copyrights

As at the Latest Practicable Date, our Group had registered the following software copyrights in the PRC which are material in relation to its business:

No.	Name of Software	Registration Number	Development Completion Date	First Publication Date	Registered Owner
1	Blue Moon Product Quality Control System v2 (藍月亮產品質量控制系統v2)	2010SR042008	7 December 2008	16 December 2008	Blue Moon Industrial
2	Blue Moon Manufacturing Workshop Control System v2 (藍月亮生產車間控制系統v2)	2010SR041959	25 January 2009	4 February 2009	Blue Moon Industrial
3	Blue Moon Manufacturing Analysis and Statistical System v2 (藍月亮生產分析統計系統v2)	2010SR042010	21 January 2009	11 February 2009	Blue Moon Industrial
4	Blue Moon Manufacturing Data Control System v2 (藍月亮生產數據控制系統v2)	2010SR042009	6 August 2009	13 August 2009	Blue Moon Industrial
5	Blue Moon Manufacturing Line Monitoring System v2 (藍月亮生產線監控系統v2)	2010SR041961	9 December 2008	24 December 2008	Blue Moon Industrial
6	Blue Moon Manufacturing Temperature Control System V2 (藍月亮生產溫度控制系統V2)	2010SR041958	15 September 2009	2 October 2009	Blue Moon Industrial
7	Toilet Cleanser Automatic Labelling Control System V1.0 (潔廁液自動化貼標控制系統V1.0)	2016SR378600	31 August 2016	10 September 2016	Blue Moon Industrial
8	Toilet Cleaner Automatic Manufacturing Control System V1.0 (廁寶自動化生產控制系統V1.0)	2016SR379863	31 August 2016	10 September 2016	Blue Moon Industrial
9	RO Film Concentrated Liquid Recycle Automatic Control System V1.0 (RO膜濃水回收自動控制系統V1.0)	2016SR379757	31 August 2016	10 September 2016	Blue Moon Industrial
10	Blue Moon Mobile Sales Management Platform 2.4.2 (藍月亮移動銷售管理平台2.4.2)	2018SR1030491	6 August 2018	6 August 2018	Blue Moon China
11	Supreme Laundry (Android version) 2.1.1 (至尊洗衣(Android版)2.1.1)	2019SR0359486	6 November 2018	6 November 2018	Blue Moon China

No.	Name of Software	Registration Number	Development Completion Date	First Publication Date	Registered Owner
12	Moon House (Android version) (月亮小屋(Android版)	2019SR0963076	2 July 2019	2 July 2019	Blue Moon China
13	Cleanliness Near You Mini-programme 1.1.1.1 (潔淨在身邊小程序1.1.1.1)	2019SR1121615	26 August 2018	26 August 2018	Villa La Luna
14	Hotel Laundry Service Management System V1.0 (酒店洗衣服務管理系統V1.0)	2019SR1345363	26 August 2018	26 August 2018	Villa La Luna
15	Carefree Cleanliness (Android version) [Short Form: Carefree Cleanliness] V1.0.0 (潔淨無憂(Android 版) [簡稱：潔淨無憂]V1.0.0)	2020SR0381880	23 December 2019	27 December 2020	Villa La Luna
16	Standing Bag Automatic Encasing Control System V1.0 (立袋自動裝箱控制系統V1.0)	2020SR0282123	29 November 2019	Unpublished	Blue Moon Industrial
17	Small Material Automation Technology System [Short form: Small Material Automation] V1.0 (小料自動化工藝系統 [簡稱：小料自動化]V1.0)	2020SR0282262	2 July 2019	2 July 2019	Blue Moon Industrial

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Disclosure of Interests

(a) Interests of Directors and Chief Executive of our Company

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue, the interests and/or short positions (as applicable) of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our Company and any interests and/or short positions (as applicable) in shares, underlying shares or debentures of any of our Company's associated corporations (within the meaning of Part XV of the SFO) which (i) 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/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Interests and Long Positions in Shares

Name of Director or Chief Executive	Nature of Interest	Number of Shares	Approximate Percentage of Shares Held
Ms. Pan[(1)]	Interest in controlled corporation	4,446,000,000	77.36%
Mr. Luo[(1)]	Interest of spouse	4,446,000,000	77.36%
Ms. Luo Dong[(2)]	Beneficial owner	4,800,000	0.08%
Mr. Poon Kwok Leung[(3)(4)]	Beneficial owner	1,000,000	0.02%
	Interest in controlled corporation	3,500,000	0.06%
Ms. Xiao Haishan[(5)]	Beneficial owner	1,000,000	0.02%

Notes:

(1) Ms. Pan is the sole shareholder of ZED, which in turn holds (i) directly 77.17% Shares of our Company and (ii) indirectly (as the sole shareholder of Van Group Limited) 0.19% Shares of our Company. Therefore, ZED is deemed or taken to be interested in all our Shares which are beneficially owned by Van Group Limited for the purpose of Part XV of the SFO. Each of Ms. Pan and Mr. Luo (the spouse of Ms. Pan) is deemed or taken to be interested in all our Shares which are beneficially owned by ZED and Van Group Limited for the purpose of Part XV of the SFO.

(2) Ms. Luo Dong is granted share options under the Pre-IPO Share Option Scheme to subscribe for 4,800,000 Shares. Please refer to the subsection headed "D. Pre-IPO Share Option Scheme" of this Appendix for details.

(3) Mr. Poon Kwok Leung is granted share options under the Pre-IPO Share Option Scheme to subscribe for 1,000,000 Shares. Please refer to the subsection headed "D. Pre-IPO Share Option Scheme" of this Appendix for details.

(4) Mr. Poon Kwok Leung is the sole shareholder of Allied Power Limited, which in turn holds directly 0.06% Shares of our Company. Therefore, Mr. Poon Kwok Leung is deemed or taken to be interested in all our Shares which are beneficially owned by Allied Power Limited for the purpose of Part XV of the SFO.

(5) Ms. Xiao Haishan is granted share options under the Pre-IPO Share Option Scheme to subscribe for 1,000,000 Shares. Please refer to the subsection headed "D. Pre-IPO Share Option Scheme" of this Appendix for details.

(ii) Long Position in Shares of Associated Corporations

Name of Director or Chief Executive	Name of our associated corporations	Nature of interest	Number of shares	Approximate percentage of shares held
Ms. Pan	ZED(2)	Beneficial owner	1 ordinary share	100%
Ms. Pan(1)	Van Group Limited(2)	Interest in controlled corporation	1,000 ordinary shares	100%
Mr. Luo	ZED(2)	Interest of spouse	1 ordinary share	100%
Mr. Luo(1)	Van Group Limited(2)	Interest of spouse	1,000 ordinary shares	100%

Notes:

(1) Ms. Pan is the sole shareholder of ZED, which holds the entire issued share capital of Van Group Limited. Therefore, each of Ms. Pan and Mr. Luo (the spouse of Ms. Pan) is deemed or taken to be interested in all the shares of Van Group Limited which are beneficially owned by ZED for the purpose of Part XV of the SFO.

(2) Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any outstanding share options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, ZED will hold more than 50% of the issued share capital of our Company. Accordingly, ZED is a holding company and an associated corporation of our Company. ZED holds the entire issued share capital of Van Group Limited. As such, Van Group Limited is a subsidiary of ZED and also an associated corporation of our Company.

Save as disclosed above, none of our Directors or the chief executive of our Company will, immediately following the completion of the Global Offering and the Capitalisation Issue, have an interest and/or short position (as applicable) in our Shares, underlying Shares or debentures of our Company or any interests and/or short positions (as applicable) in the shares, underlying shares or debentures of our Company's associated corporations (within the meaning of Part XV of the SFO) which (i) 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), (ii) will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange.

(b) Interests of Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders", as at the Latest Practicable Date, our Directors or chief executives are not aware of any other person, not being a Director or chief executive of our Company, who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue, have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

2. Particulars of Letters of Appointment

We have entered into a letter of appointment with each of our Directors. Each letter of appointment is for an initial term of three years or until the third annual general meeting of our Company since the Listing Date (whichever is earlier), subject to rotation, re-nomination and re-election as and when required under the Articles and the Listing Rules.

Pursuant to the terms of the letter of appointment entered into between each executive Director (on the one part) and our Company (on the other part), the annual director's fees payable by us to each of the executive Directors are HK$500,000 per annum.

Pursuant to the terms of the letter of appointment entered into between each non-executive Director and independent non-executive director (on the one part) and our Company (on the other part), the annual director's fees payable by us to each of the non-executive Director and the independent non-executive Directors are HK$500,000 per annum.

An additional fee of HK$50,000 per annum will be payable to a member on each of our Audit Committee, Remuneration Committee and Nomination Committee or the chairman of each of our Remuneration Committee and Nomination Committee, while an additional fee of HK$100,000 per annum will be payable to the chairman of our Audit Committee.

Each of our Directors is entitled to reimbursement from our Company for all reasonable expenses necessarily incurred in connection with the performance and discharge of his/her duties under his/her letter of appointment.

Save as disclosed above, none of our Directors has entered into any service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year, without payment, of compensation (other than statutory compensation)).

3. Directors' Remuneration

For our Directors' remuneration, please refer to the section headed "Directors and Senior Management – Directors' Remuneration and Remuneration of Five Highest Paid Individuals" for details.

4. Agency Fees or Commissions Received

Save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms have been granted by our Group to any person (including our Directors and experts referred to in the subsection headed "E. Other Information – 6. Qualifications and Consents of Experts" below) in connection with the issue or sale of any capital or security of our Company or any member of our Group within the two years immediately preceding the date of this prospectus.

5. Personal Guarantees

Our Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to our Group.

6. Disclaimers

(a) None of our Directors nor any of the experts referred to in the subsection headed "E. Other Information – 6. Qualifications and Consents of Experts" below has any direct or indirect interest in the promotion of, or 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, any member of our Group, or are proposed to be acquired or disposed of by, or leased to, any member of our Group.

(b) Save in connection with the Underwriting Agreements, none of our Directors nor any of the experts referred to in the subsection headed "E. Other Information – 6. Qualifications and Consents of Experts" below, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group.

(c) Neither our Controlling Shareholder nor our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

(d) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of our Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned.

(e) So far as is known to our Directors, none of our Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. PRE-IPO SHARE OPTION SCHEME

1. Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme adopted by our Board on 23 September 2020. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares after the Listing.

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to encourage certain key employees to contribute to our Group for the long-term benefits of our Company and our Shareholders as a whole and provide our Group with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to its key employees.

(b) Who may join

Our Board (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may determine any directors, employees of any member of our Group or Business Associates, who our Board considers, in its sole and absolute discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares.

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Pre-IPO Share Option Scheme.

The eligibility of any of these classes of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(c) Maximum number of Shares

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted under the Pre-IPO Share Option Scheme shall not exceed the lower of (i) 100,000,000 Shares, and (ii) 1.5% of the issued share capital of our Company immediately following completion of the Global Offering (without taking into account any exercise of the Over-allotment Option) and the Capitalisation Issue.

(d) Performance targets

Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise (including the satisfaction of certain performance targets and/or the attainment or performance of milestones by any member of our Group, the grantee or any group of participants) as determined by our Board at its sole and absolute discretion.

(e) Exercise price for Shares

The exercise price in relation to each option granted under the Pre-IPO Share Option Scheme shall be HK$3.76, excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee. A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an option, save to the extent that other arrangements have been made for the payment of the exercise price which are satisfactory to our Board.

(f) Time of acceptance, vesting and exercise of option

An option may be accepted by a participant within such time as determined by our Board, provided that no option shall remain open for acceptance on or after the Listing Date or after the relevant participant has ceased to be a participant (as determined by our Board) for any reason.

Subject to the other terms and conditions of the Pre-IPO Share Option Scheme or the letter to the grantee, a grantee is vested with, and entitled to exercise up to, either one-fourth of his or her option (rounded up to the nearest board lot) or 10%, 20%, 30% and 40% of his or her option (rounded up to the nearest whole board lot) during the Option Period (as defined below), in each case as specified in the letter to the relevant grantee, commencing from each of the first, second, third and fourth anniversaries of the Listing Date, respectively, provided that the grantee remains to be a participant entitled to exercise his or her option.

(g) Cancellation of options granted

Any options granted but not exercised may be cancelled by our Board. Issuance of new options to the same grantee may only be made if there are unissued options available under the Pre-IPO Share Option Scheme (excluding the cancelled options) and in compliance with the terms of the Pre-IPO Share Option Scheme.

(h) Lapse of an option

An option shall lapse automatically (to the extent that has been vested but not already exercised or expired) on the earliest of:

(i) the expiry of the option period, being the period to be notified by our Board to each grantee (provided that the period within which an option must be exercised shall not be more than ten years commencing on the date on which the option is granted) (the "**Option Period**");

(ii) the expiry of the periods or dates referred to in sub-paragraphs (j), (k), (l) and (p);

(iii) the final closing date of the offer (or, as the case may be, revised offer) as referred to in sub-paragraph (m) below;

(iv) subject to the scheme of arrangement becoming effective, the record date for determining entitlements under a scheme of arrangement referred to in sub-paragraphs (n);

(v) subject to sub-paragraph (o), the date of commencement of the winding up of our Company;

(vi) the date on which the Grantee commits a breach of or default under the restriction that no option shall be assigned or transferred and that no grantee shall in any way sell, transfer, charge, mortgage, encumber or create interests in favour of any third party over or in relation to any option;

(vii) the date on which:

(1) the grantee (being an employee or a director of any member of our Group) ceases to be an employee or a director by reason of the termination of his or her employment, appointment or directorship on the grounds that he or she has contravened any policy of any member of our Group, has been guilty of serious misconduct, has disclosed without consent any trade or commercial secret belonging to our Group, has taken any action or done anything in his/her capacity which has (in our Company's sole opinion) brought any member of our Group into disrepute or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;

(2) the grantee appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has become bankrupt, or a petition for bankruptcy has been filed against him or her, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving integrity or honesty;

(3) the grantee being a Business Associate, such contract is terminated by reason of breach of contract on the part of the Business Associate,

provided that whether any one or more of the events specified in the above occur in relation to a grantee shall in the reasonable opinion of our Board be solely, absolutely and conclusively determined by our Board;

(viii) unless our Board otherwise in its sole and absolute discretion determines, and other than in the circumstances referred to in sub-paragraphs (j) to (p), the date on which the grantee ceases to be a participant (as determined by a Board resolution) for any reason; and

(ix) the date on which the option is cancelled by our Board.

An option granted but not yet vested with the grantee shall also lapse automatically in the event that the grantee being an employee, director of any member of our Group or Business Associate ceases to be an employee, director of any member of our Group or Business Associate (as the case may be), for whatever reason (other than as a result of his or her death or total and permanent disability and incapacitation).

(i) Duration of the Pre-IPO Share Option Scheme

Subject to the terms of the Pre-IPO Share Option Scheme (including but not limited to the conditions precedent for the Pre-IPO Share Option Scheme to become effective), the Pre-IPO Share Option Scheme shall be valid and effective for the period of time commencing on the adoption date thereof and expiring on the day immediately after the date which is ten years after the Listing Date, after which period the provisions of the Pre-IPO Share Option Scheme shall in all respects cease to be in any force or effect. For the avoidance of doubt, no option shall be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

(j) Rights on ceasing employment

If the grantee of an option is an employee or a director of any member of our Group and ceases to be an employee or a director for any reasons other than death or total and permanent disability and incapacitation, or on other grounds referred to in sub-paragraph (h)(vi) above before exercising his or her option in full, the grantee may exercise the options then vested (but not already exercised or expired) at any time within three months of the date of such cessation (or such period as our Board may determine and notify to the grantee), provided that such exercise is during the Option Period, and the date of cessation shall be the last actual working day with our Group whether salary is paid in lieu of notice or not. In the event that such cessation is due to resignation and such grantee is a member of the senior management of our Group immediately before the date of resignation, he or she shall not offer, pledge, charge, sell or otherwise transfer or dispose of either directly or indirectly, conditionally or unconditionally, any of our Shares issued to him or her from the exercise of the option during a three-month period after the date on which Shares are issued following the exercise of the relevant option.

If (i) the grantee is an employee, a director of any member of our Group or a Business Associate under a fixed term contract and ceases to be an employee, a director or a Business Associate by reason of expiry of the term of the relevant fixed term contract without any extension or renewal by our Group for reasons other than (1) on his or her death or total and permanent disability and incapacitation, or (2) on other grounds referred to in sub-paragraph (h)(vi) above or (ii) the grantee is a Business Associate not under fixed term contract, and if the grantee ceases to be a Business Associate by reason of the grantee ceasing to provide any further advisory or consultancy or other kind of services, support, assistance or contribution to our Group as may be determined by our Board in its sole and absolute discretion and notified to such Business Associate in writing within one year after the provision of his/ her last service, support, assistance or contribution to our Group for reasons other than (1) on his or her death or total and permanent disability and incapacitation, or (2) on other grounds referred to in sub-paragraph (h)(vi) above, the grantee may exercise the option then vested (but not already exercised or expired) within the period of 12 months (or such period as our Board may determine and notify to the grantee) following the date of such cessation, provided that such exercise is during the relevant Option Period, and the date of cessation shall, in the case of (i) above, be the date of expiry of the relevant fixed term contract, and in the case of (ii) above, be the date of the aforesaid written notification to the Business Associate, failing which it will lapse.

(k) Rights on death or becoming totally and permanently disabled or incapacitated

In the event the grantee dies or has become totally and permanently disabled and incapacitated before exercising the option in full and none of the events for termination of employment or engagement then exists with respect to such grantee, the personal representative(s) of the grantee shall be entitled within a period of six months (or such period as our Board may determine and notify to the grantee and/or the personal representative(s) of the grantee) from the date of death or the date of total and permanent disability and incapacitation (provided that such exercise is during the relevant Option Period) to exercise the Option up to the entitlement of such grantee as at the date of his or her death or becoming totally and permanently disabled and incapacitated (to the extent that he or she is vested with and entitled to exercise at such date but not already exercised or expired), failing which it will lapse.

(l) Rights on retirement

In the event the grantee retires before exercising the option in full and none of the events for termination of employment or engagement then exists with respect to such grantee, the grantee shall be entitled on the date of retirement (or within such period as our Board may determine and notify to the grantee provided that such exercise is during the relevant Option Period) up to the entitlement of such grantee as at the date of retirement (to the extent that he or she is vested with and entitled to exercise at such date but not already exercised or expired), failing which it will lapse.

(m) Rights on a general offer

If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to our Shareholders and has become or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the option to its full extent (whether vested or not) at any time after the general offer becomes or is declared unconditional and up to the close of such offer (or, as the case may be, revised offer) or, if our Company shall forthwith give the relevant notification, to the extent notified by our Company, at any time within such period as shall be notified by our Company. Subject to the foregoing, any option not exercised will lapse automatically on the final closing date of such offer (or, as the case may be, revised offer).

(n) Rights on takeover by way of scheme of arrangement

If a general offer for Shares, by way of scheme of arrangement, is made to all our Shareholders and has been approved by the necessary number of holders of Shares at the requisite meetings prior to the expiry of the Option Period of any option, our Company shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter exercise the option to its full extent (whether vested or not) at any time after the meeting(s) of whereby the scheme is approved and up to the record date for determining entitlements under such scheme of arrangement or, if our Company shall give the relevant notification, to the extent notified by our Company. Subject to the foregoing and to the scheme becoming effective, any option not exercised will lapse automatically on the record date for determining entitlements under such scheme of arrangement.

(o) Rights on winding up

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter (but not before such time as notified by our Company) exercise the option to its full extent (whether vested or not) or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed general meeting, allot, issue and register in the name of the grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(p) Rights on compromise or arrangement

In the event of a compromise or arrangement, other than a scheme of arrangement, between our Company and our Shareholders and/or creditors being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation, our Company shall give notice thereof to all grantees on the same day as it first gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a scheme or arrangement and the grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent (whether vested or not) or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the grantee such number of fully paid Shares which fall to be allotted and issued on exercise of such option.

(q) Adjustments

In the event of any capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of share capital of our Company after (but excluding) the Listing Date, but excluding, for the avoidance of doubt, any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party, the auditors or the independent financial adviser engaged by our Company for such purpose shall determine what adjustment is required to be made to the exercise price and/or the number of shares to be issued on exercise of the options, and such auditors or independent financial advisers shall certify in writing to our Board that such adjustments are in his opinion fair and reasonable.

Any such adjustments shall give the participant the same proportion of the equity capital of our Company and any adjustments to the advantage of the participants to the exercise price or to the number of Shares subject to the options must be approved by our Company in general meeting, and no adjustments may be made to the extent that Shares would be issued at less than their nominal value.

In addition, any adjustment to be made will comply with the Listing Rules, any guidance/ interpretation of the Listing Rules issued by the Stock Exchange from time to time, to the extent applicable.

(r) Others

The Pre-IPO Share Option Scheme is conditional on the Listing Committee granting approval of the listing of and permission to deal in any Shares which may be issued pursuant to the exercise of the options under the Pre-IPO Share Option Scheme and the commencement of dealings in our Shares on the Stock Exchange within eight months of the adoption of the Pre-IPO Share Option Scheme. These conditions cannot be waived by our Board or Shareholders. Application has been made to the Listing Committee for the listing of and permission to deal in Shares to be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme.

The rights of the grantee of an option referred to above are subject to the terms and conditions upon the option was granted. Any alterations to the terms and conditions of the Pre-IPO Share Option Scheme which are of a material nature, or any change to the terms of options granted, must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Pre-IPO Share Option Scheme.

No changes to the authority of our Directors or administrator of the Pre-IPO Share Option Scheme in relation to any alteration of the terms herein shall be made, without the prior approval of our Shareholders in general meeting.

(s) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to the provisions of the Memorandum of Association and Articles of Association and will rank *pari passu* with the fully paid Shares in issue.

A grantee is not entitled to vote, to receive dividends or to have any other rights of a Shareholder in respect of Shares subject to an option until the option is validly exercised by the grantee. Shares are allotted or issued to the grantee and the relevant Shares are registered in the name of the grantee in accordance with the Pre-IPO Share Option Scheme.

Unless the context otherwise requires, references to "Shares" in this sub-paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of our Company from time to time.

(t) Termination

Our Company by ordinary resolution of our Shareholders, or our Board in its sole and absolute discretion, may at any time terminate the operation of the Pre-IPO Share Option Scheme, and in such event, no further options will be offered or granted, but in all other respects the Pre-IPO Share Option Scheme shall remain in full force and effect. Any granted but unexercised and unexpired options shall continue to be exercisable in accordance with their terms and conditions of allotment and issue after the termination of the Pre-IPO Share Option Scheme.

(u) Outstanding options granted

As at the Latest Practicable Date, options to subscribe for an aggregate of 61,651,000 Shares (representing 1.07% of the enlarged number of our Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be issued upon any exercise of the Over-allotment Option and the options which have been granted under the Pre-IPO Share Option Scheme) have been granted under the Pre-IPO Share Option Scheme to 684 grantees. The grantees comprise three Directors, seven members of the senior management of our Group, and 674 existing employees and Business Associates of our Group (who are not Directors, members of the senior management of our Group or connected persons of our Group). All the options have been granted before the Latest Practicable Date and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

Set out below is detailed information on the grantees under the Pre-IPO Share Option Scheme:

Name of Grantee	Position within our Group	Address	Exercise price per Share	Number of Shares under the options granted	Date of Grant	Option Period	Approximate percentage of issued Shares immediately after completion of the Global Offering and the Capitalisation Issue (Note 1)
Directors of our Company							
Ms. LUO Dong	Executive Director and chief supply officer	Room 801, Tower 1, 11 Street, Feng Ying Yuan, Phoenix City, Xintang, Guangzhou, Guangdong, China	HK$3.76	4,800,000	23 September 2020	10 years from the Date of Grant	0.08%
Mr. POON Kwok Leung	Executive Director, chief financial officer and company secretary	Flat A, 23/F, Block 13, Braemar Hill Mansions, 39 Braemar Hill Road, Hong Kong	HK$3.76	1,000,000	23 September 2020	10 years from the Date of Grant	0.02%
Ms. XIAO Haishan	Executive Director and chief operation officer	Room 604, 20 North Xincheng Street, Tianhe, Guangzhou, Guangdong, China	HK$3.76	1,000,000	23 September 2020	10 years from the Date of Grant	0.02%
			Sub-total:	6,800,000			0.12% (Note 2)

Name of Grantee	Position within our Group	Address	Exercise price per Share	Number of Shares under the options granted	Date of Grant	Option Period	Approximate percentage of issued Shares immediately after completion of the Global Offering and the Capitalisation Issue (Note 1)
Senior Management of our Group							
Mr. LIU Zhiqiang	General manager of the E-commerce Centre	Flat 302, Tower H, Junhao Xuan, Ascot Garden, Tianhe, Guangzhou, Guangdong, China	HK$3.76	1,600,000	23 September 2020	10 years from the Date of Grant	0.03%
Mr. CHEN Mingliang	General manager of the Sales Centre	Flat 401, Block 1, No.8 Holiday Garden, Dalinbian Second Cross Road, Xintang Town, Zengcheng District, Guangzhou, Guangdong, China	HK$3.76	1,000,000	23 September 2020	10 years from the Date of Grant	0.02%
Mr. ZHENG Xianglong	General manager of the Research and Development Technology Centre	Room 1803, No.45 Junfu Road, Huangpu District, Guangzhou, Guangdong, China	HK$3.76	1,200,000	23 September 2020	10 years from the Date of Grant	0.02%
Mr. LIN Shangpeng	Head of the BM Laundry Academy	Room 101, Block 9, Jade Lvzhou Forest Peninsula, Guangzhou, Guangdong, China	HK$3.76	1,000,000	23 September 2020	10 years from the Date of Grant	0.02%
Mr. MIN Jianhua	General manager of the Product Centre	No.21 Lulin Sixth Street, Luogang Jiedao, Huangpu District, Guangzhou, Guangdong, China	HK$3.76	1,000,000	23 September 2020	10 years from the Date of Grant	0.02%

Name of Grantee	Position within our Group	Address	Exercise price per Share	Number of Shares under the options granted	Date of Grant	Option Period	Approximate percentage of issued Shares immediately after completion of the Global Offering and the Capitalisation Issue (Note 1)
Mr. ZENG Liqun	General manager of the Communication Centre	Room 903, Bock 4, New World Oriental, Guangzhou, Guangdong, China	HK$3.76	720,000	23 September 2020	10 years from the Date of Grant	0.01%
Ms. XU Yuling	General manager of the public affairs department	Room 2004, No. 5 Yizheng Street, Yile Road, Guangzhou, Guangdong, China	HK$3.76	400,000	23 September 2020	10 years from the Date of Grant	0.01%
			Sub-total:	6,920,000			0.12% (Note 2)
Other Grantees							
674 grantees including existing employees and Business Associates of our Group			HK$3.76	47,931,000	23 September 2020	10 years from the Date of Grant	0.83%
			Total:	**61,651,000**			**1.07% (Note 2)**

Note 1: The above table assumes that the Over-allotment Option and the options under the Pre-IPO Share Option Scheme are not exercised. On every vesting date, either one-fourth of his or her option (rounded up to the nearest board lot) or 10%, 20%, 30% and 40% of his or her option (rounded up to the nearest whole board lot) during the Option Period, in each case as specified in the letter to the relevant grantees, commencing from each of the first, second, third and fourth anniversaries of the Listing Date, respectively, may be vested in the grantee, subject to the satisfaction of certain performance targets and/or the attainment or performance of milestones by any member of our Group as determined by our Board at its sole and absolute discretion. Notwithstanding the above, our Board may in its sole discretion amend the vesting schedule and vest any percentage of the underlying Shares in respect of the options under the Pre-IPO Share Option Scheme in accordance with the terms thereunder.

Note 2: The percentages above may not add up to the sub-total or total due to rounding.

As at the Latest Practicable Date, all of the options granted under the Pre-IPO Share Option Scheme had not been exercised and remained outstanding. Assuming full vesting and exercise of the outstanding options, the shareholding percentage of our Shareholders immediately following the Listing would be diluted by 1.07% as calculated based on 5,747,126,500 Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the theoretical dilution effect on our earnings per Share would be 1.07%.

(v) Waiver and exemption obtained

Our Company has applied for and has been granted (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules and (ii) an exemption from the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under section 342(1) of and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Further information on the waiver and the exemption is set out in the section headed "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance".

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group.

2. The Joint Sponsors

Each of the Joint Sponsors confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Each of the Joint Sponsors will receive a fee of US$500,000 for acting as the sponsor for the Listing.

3. Registration Procedures

The register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a Hong Kong register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share register in Hong Kong and may not be lodged in the Cayman Islands.

4. Preliminary Expenses

Our Company did not incur any material preliminary expenses for the purpose of the Listing Rules.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to the promoters in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus are as follows:

Name of Expert	Qualifications
China International Capital Corporation Hong Kong Securities Limited	A licenced corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
Citigroup Global Markets Asia Limited	A licenced corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
Merrill Lynch Far East Limited	A licenced corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
King & Wood Mallesons	PRC legal advisers
Conyers Dill & Pearman	Cayman Islands legal advisers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant

Each of the parties listed above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

7. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

The English text of this prospectus and the Application Forms shall prevail over their respective Chinese text.

9. Miscellaneous

(a) Save as disclosed in sections headed "History, Reorganisation and Corporate Structure", "Share Capital", "Structure of the Global Offering" and in this Appendix V, within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) Save as disclosed in the section headed "Structure of the Global Offering" and in this Appendix V, within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of our Company or any of its subsidiaries have been issued or have been agreed to be issued.

(d) None of the equity and debt securities of our Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(e) Our Company has no outstanding convertible debt securities or debentures.

(f) None of the parties listed in the subsection headed "E. Other Information – 6. Qualifications and Consents of Experts":

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group save in connection with the Underwriting Agreements.

(g) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in our Company or any of its subsidiaries.

(h) Save as disclosed in this prospectus, 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.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to in the section headed "Appendix V – Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts"; and

(c) the written consents referred to in the section headed "Appendix V – Statutory and General Information – E. Other Information – 6. Qualifications and Consents of Experts".

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Linklaters at 11/F, Alexandra House, Chater Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles of Association of our Company;

(b) the Accountant's Report and the report on the unaudited pro forma financial information prepared by PricewaterhouseCoopers, the texts of which are set out in sections headed "Appendix I – Accountant's Report" and "Appendix II – Unaudited Pro Forma Financial Information", respectively;

(c) the audited consolidated financial statements of our Group for the years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2020;

(d) the legal opinions issued by King & Wood Mallesons, our PRC legal advisers, dated the date of this prospectus in respect of certain aspects of our Group and the property interests of our Group;

(e) the letter from Conyers Dill & Pearman, our Company's Cayman Islands legal advisers, summarising the Memorandum and the Articles of Association of our Company and salient provisions of the laws of the Cayman Islands referred to in the section headed "Appendix IV – Summary of the Memorandum and the Articles of Association of our Company and Cayman Company Law";

(f) the Cayman Companies Law;

(g) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview";

(h) the letters of appointment referred to in the section headed "Appendix V – Statutory and General Information – C. Further Information about our Directors – 2. Particulars of Letters of Appointment";

(i) the material contracts referred to in the section headed "Appendix V – Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts";

(j) the written consents referred to in the section headed "Appendix V – Statutory and General Information – E. Other Information – 6. Qualifications and Consents of Experts";

(k) the rules of the Pre-IPO Share Option Scheme; and

(l) the full list of all the grantees of the outstanding share options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing all the details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. DEFINITIONS

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

"**Application Form(s)**"	the **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 amended and restated articles of association of our Company, conditionally adopted on 23 November 2020 with effect from Listing, and as amended from time to time, a summary of which is set out in the section headed "Appendix IV – Summary of the Memorandum and the Articles of Association of our Company and Cayman Company Law"
"**Aswann**"	Aswann Ventures Limited, a company incorporated in the BVI with limited liability on 1 October 2010
"**Audit Committee**"	the audit committee of our Board
"**Blue Moon Biotechnology**"	Guangzhou Blue Moon Biotechnology Co., Ltd. (廣州藍月亮生物工程有限公司), a company established in the PRC with limited liability on 13 July 2001, which became an indirect wholly owned subsidiary of our Company on 3 July 2006 and subsequently merged with Blue Moon China by absorption on 25 December 2013
"**Blue Moon BVI**"	Blue Moon (BVI) Limited, a company incorporated in the BVI with limited liability on 12 November 2007, a direct wholly owned subsidiary of our Company
"**Blue Moon China**"	Blue Moon (China) Co., Ltd. (藍月亮（中國）有限公司), a company established in the PRC with limited liability on 18 January 2011, an indirect wholly owned subsidiary of our Company
"**Blue Moon Chongqing**"	Blue Moon (Chongqing) Co., Ltd. (藍月亮（重慶）有限公司), a company established in the PRC with limited liability on 30 July 2015, an indirect wholly owned subsidiary of our Company
"**Blue Moon Group**"	Blue Moon Group Limited 藍月亮國際集團有限公司, a company incorporated in Hong Kong with limited liability on 24 November 1994, an indirect wholly owned subsidiary of our Company

"**Blue Moon Guangzhou**"	Blue Moon (Guangzhou) Co., Ltd. (藍月亮（廣州）有限公司), a company established in the PRC with limited liability on 8 July 2016, an indirect wholly owned subsidiary of our Company
"**Blue Moon Industrial**"	Guangzhou Blue Moon Industrial Co., Ltd. (廣州藍月亮實業有限公司), a company established in the PRC with limited liability on 9 January 2001, an indirect wholly owned subsidiary of our Company
"**Blue Moon Kunshan**"	Blue Moon (Kunshan) Industrial Co., Ltd (藍月亮（昆山）實業有限公司), a company established in the PRC with limited liability on 3 December 2013, an indirect wholly owned subsidiary of our Company
"**Blue Moon Tianjin**"	Blue Moon (Tianjin) Co., Ltd. (藍月亮（天津）有限公司), a company established in the PRC with limited liability on 6 January 2010, an indirect wholly owned subsidiary of our Company
"**Blue Moon Washing Technology**"	Blue Moon (Guangzhou) Washing Technology Co., Ltd. (藍月亮（廣州）洗滌科技有限公司), a company established in the PRC with limited liability on 10 November 2015, an indirect wholly owned subsidiary of our Company
"**Board**" or "**Board of Directors**"	the board of directors of our Company
"Business Associate(s)"	any adviser or consultant who provides services to any member of our Group pursuant to a contract of services with the relevant member of our Group
"**business day**"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"**BVI**"	the British Virgin Islands
"Capitalisation Issue"	the issue of 4,999,990,000 Shares by our Company referred to in the section headed "Appendix V – Statutory and General Information – A. Further Information about our Group – 4. Written Resolutions of our Shareholders passed on 23 November 2020"
"**Cayman Companies Law**"	the Cayman Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"**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 who may be an individual or joint individuals or a corporation
"**CCASS Participant**"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"**CCIL**"	China Consumer Investment Ltd, a company incorporated in the BVI with limited liability on 24 November 2011, one of our Pre-IPO Investors
"**Chengdu Moon House**"	Chengdu Moon House Washing Co., Ltd. (成都月亮小屋洗滌有限公司), a company established in the PRC with limited liability on 4 January 2016, an indirect wholly owned subsidiary of our Company
"**China**" or "**PRC**"	the People's Republic of China excluding, for the purpose of this prospectus, the Hong Kong and Macau Special Administrative Regions of the PRC and Taiwan
"**Companies Ordinance**"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Companies (Winding Up and Miscellaneous Provisions) Ordinance**"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Company**"	Blue Moon Group Holdings Limited 藍月亮集團控股有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability on 27 December 2007
"**Controlling Shareholders**"	Ms. Pan, ZED and Van Group Limited
"**Daoming Company**"	Guangzhou Daoming Chemical Co., Ltd (廣州市道明化學有限公司), a company established in the PRC with limited liability on 6 April 1990 and held by Mr. Fu Xiangdong (the brother of Mr. Luo) and Mr. Luo Wenming (the uncle of Mr. Luo) as to 70% and 30%, a connected person of our Company

"Deed of Amendment"	the deed of amendment dated 28 June 2020 entered into by our Company, Aswann, ZED, Blue Moon BVI, Blue Moon Group, Blue Moon Industrial, Blue Moon Tianjin, Blue Moon China, Blue Moon Kunshan, Xingshuo Guangzhou, Villa La Luna Group, Villa La Luna, Ms. Pan, HCM, CCIL, Hai Fei, Allied Power Limited and Van Group Limited relating to the Shareholders Agreement referred to in the section headed "History, Reorganisation and Corporate Structure"
"**Director(s)**"	the director(s) of our Company
"**Distribution**"	the payment of a dividend by Aswann by way of a distribution *in specie* of our Shares to the then shareholders of Aswann as described in the section headed "History, Reorganisation and Corporate Structure – Shareholding Restructuring and Reorganisation – Distribution"
"**E-Commerce Law**"	the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), as amended, supplemented or otherwise modified from time to time
"**EIT Law**"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time
"**Extreme Conditions**"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"financial year"	financial year ended or ending 31 December
"**Global Offering**"	the Hong Kong Public Offering and the International Offering
"**GREEN Application Form(s)**"	the application form(s) to be completed by the White Form eIPO Service Provider, designated by our Company
"**Group**", "**we**", "**our**" or "**us**"	our Company and its subsidiaries
"**Guangzhou Blue Moon Company**"	Guangzhou Blue Moon Co., Ltd. (廣州藍月亮有限公司), a company established in the PRC with limited liability on 14 December 1994 and held by Mr. Luo and Mr. Luo Wengui (the father of Mr. Luo) upon its establishment, which was subsequently dissolved on 18 April 2012
"**Guangzhou Moon House**"	Guangzhou Moon House Washing Co., Ltd. (廣州月亮小屋洗滌有限公司), a company established in the PRC with limited liability on 11 August 2015, an indirect wholly owned subsidiary of our Company

"**Hai Fei**"	Hai Fei Limited, a company incorporated in the BVI with limited liability on 6 September 2011 and one of our Pre-IPO Investors
"**HCM**"	HCM BM Holdings, Ltd., a company incorporated in the BVI with limited liability on 25 November 2010 and one of our Pre-IPO Investors
"**HCM Entities**"	HCM and/or its affiliates
"**Hillhouse Capital**"	Hillhouse Capital Advisors, Ltd., an exempted company incorporated in the Cayman Islands with limited liability
"**HK$**"	Hong Kong dollars, the lawful currency of Hong Kong
"**HKFRS**"	Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants
"**HKSCC**"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HKSCC Nominees**"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC, in its capacity as nominee for HKSCC (or any successor thereto) as operator of CCASS and any successor, replacement or assign of HKSCC Nominees Limited as nominee for the operator of CCASS
"**Hong Kong**"	the Hong Kong Special Administrative Region of the PRC
"**Hong Kong Offer Shares**"	the 74,713,000 Shares initially being offered by our Company pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering")
"**Hong Kong Public Offering**"	the offer of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering"
"**Hong Kong Underwriters**"	the underwriters listed in the section headed "Underwriting – Hong Kong Underwriters", being the underwriters of the Hong Kong Public Offering

"**Hong Kong Underwriting Agreement**"	the underwriting agreement dated 3 December 2020 relating to the Hong Kong Public Offering entered into among our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in the section headed "Underwriting"
"**Housing Accumulation Funds Regulation**"	the Regulation on the Administration of Housing Accumulation Funds of the PRC (《中華人民共和國住房公積金管理條例》), as amended, supplemented or otherwise modified from time to time
"**IFRS**"	International Financial Reporting Standards
"**Independent Third Party(ies)**"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
"**International Offer Shares**"	the 672,413,500 Shares initially being offered by our Company pursuant to the International Offering (subject to reallocation as described in the section headed "Structure of the Global Offering") together with, where relevant, up to an additional 112,068,500 Shares which may be issued by our Company pursuant to any exercise of the Over-allotment Option
"**International Offering**"	the offer of the International Offer Shares (a) in the United States solely to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S, for subscription or purchase (as the case may be) at the Offer Price, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed "Structure of the Global Offering"
"**International Underwriters**"	the underwriters named in the International Underwriting Agreement, being the underwriters of the International Offering
"**International Underwriting Agreement**"	the underwriting agreement relating to the International Offering to be entered into among our Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date, as further described in the section headed "Underwriting"

"**Joint Bookrunners**"	China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited (in relation to Hong Kong Public Offering only), Citigroup Global Markets Limited (in relation to International Offering only), Merrill Lynch (Asia Pacific) Limited, BNP Paribas Securities (Asia) Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, ABCI Capital Limited, BOCI Asia Limited, CCB International Capital Limited, CMBC Securities Company Limited, CMB International Capital Limited, Futu Securities International (Hong Kong) Limited, ICBC International Capital Limited and UOB Kay Hian (Hong Kong) Limited
"**Joint Global Coordinators**"	China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, Merrill Lynch (Asia Pacific) Limited, BNP Paribas Securities (Asia) Limited, The Hongkong and Shanghai Banking Corporation Limited and UBS AG Hong Kong Branch
"**Joint Sponsors**"	China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and Merrill Lynch Far East Limited (in alphabetical order)
"**Latest Practicable Date**"	28 November 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"**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 Wednesday, 16 December 2020, on which our Shares are first listed and from which dealings in our Shares are permitted to take place on the Main Board of the Stock Exchange
"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"**M&A Rules**"	the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which was promulgated by the MOFCOM, China Securities Regulatory Commission, the State-owned

	Assets Supervision and Administration Commission of the State Council, the SAT, the former SAIC and the SAFE on 8 August 2006, became effective on 8 September 2006 and was revised on 22 June 2009 by MOFCOM
"**Maximum Offer Price**"	HK$13.16 per Offer Share, being the maximum subscription price in the Offer Price Range
"Memorandum" or **"Memorandum of Association"**	the amended and restated memorandum of association of our Company, conditionally adopted on 23 November 2020 with effect from Listing, and as amended from time to time, a summary of which is set out in the section headed "Appendix IV – Summary of the Memorandum and the Articles of Association of our Company and Cayman Company Law"
"**Minimum Offer Price**"	HK$10.20 per Offer Share, being the minimum subscription price in the Offer Price Range
"**MOFCOM**"	the Ministry of Commerce of the PRC （中華人民共和國商務部）
"**Moon House Data**"	Moon House (Shenzhen) Data Technology Co., Ltd. (月亮小屋（深圳）數據技術有限公司), a company established in the PRC with limited liability on 10 November 2015, an indirect wholly owned subsidiary of our Company
"**Mr. Luo**"	Mr. Luo Qiuping (羅秋平), an executive Director and the chief executive officer of our Company, and the spouse of Ms. Pan
"**Ms. Pan**"	Ms. Pan Dong (潘東), an executive Director and the chairman of our Company, one of our Controlling Shareholders, and the spouse of Mr. Luo
"Nantong Moon House"	Moon House (Nantong) Washing Co., Ltd. (月亮小屋（南通）洗滌有限公司), a company established in the PRC with limited liability on 8 January 2019, an indirect wholly owned subsidiary of our Company
"**Nomination Committee**"	the nomination committee of our Board
"**Offer Price**"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$13.16 and expected to be not less than HK$10.20, such price to be determined by agreement between the Joint

	Global Coordinators (on behalf of the Underwriters) and our Company on or before the Price Determination Date
"**Offer Price Range**"	HK$10.20 to HK$13.16 per Offer Share
"**Offer Shares**"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be issued by our Company pursuant to any exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which our Company may be required to issue up to an additional 112,068,500 Shares (representing not more than approximately 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations in the International Offering, if any, as further described in the section headed "Structure of the Global Offering"
"**Pre-IPO Investments**"	the pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed "History, Reorganisation and Corporate Structure – Major Shareholding Changes and Pre-IPO Investments"
"**Pre-IPO Investors**"	HCM, CCIL and Hai Fei
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted by our Board on 23 September 2020 as amended from time to time, the principal terms of which are set out in "D. Pre-IPO Share Option Scheme – 1. Pre-IPO Share Option Scheme" in Appendix V to this prospectus
"**Price Determination Date**"	the date, expected to be on or about Wednesday, 9 December 2020, on which the Offer Price will be determined and, in any event, not later than Tuesday, 15 December 2020
"province"	a province, autonomous administrative region or municipality under the direct administration of the central government in China
"**QIB**"	a qualified institutional buyer within the meaning of Rule 144A
"**Regulation S**"	Regulation S under the U.S. Securities Act

"**Relevant Persons**"	the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters, any of their or our Company's respective directors, officers or representatives or any other person involved in the Global Offering
"**Remuneration Committee**"	the remuneration committee of our Board
"**RMB**" or "**Renminbi**"	Renminbi, the lawful currency of the PRC
"**Rule 144A**"	Rule 144A under the U.S. Securities Act
"**SAFE**"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"**SAFE Circular 7**" or "**Stock Option Rules**"	the Notices of the SAFE on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), which was promulgated by the SAFE on 15 February 2012
"**SAFE Circular 37**"	the Circular of the SAFE on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), which was promulgated by the SAFE on 4 July 2014 and became effective on the same date
"**SAFE Circular 75**"	the Notices of the SAFE on Issues Relating to Foreign Exchange Control on Fund Raising by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), which was promulgated by the SAFE on 21 October 2005
"**SAIC**"	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"**SAT**"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"**SCNPC**"	the Standing Committee of the National People's Congress of the PRC （中華人民共和國全國代表大會常務委員會）
"**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 or supplemented from time to time
"**Share(s)**"	ordinary share(s) in the share capital of our Company with a par value of HK$0.01 each
"**Shareholder(s)**"	holder(s) of our Shares
"**Social Insurance Law**"	the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), as amended, supplemented or otherwise modified from time to time
"**Stabilising Manager**"	Merrill Lynch (Asia Pacific) Limited through its affiliates
"**Stock Borrowing Agreement**"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager (or its affiliate) and ZED
"**Stock Exchange**"	the Stock Exchange of Hong Kong Limited
"**Takeovers Code**"	the Hong Kong Code on Takeovers and Mergers
"**Track Record Period**"	the three years ended 31 December 2019 and the six months ended 30 June 2020
"**Underwriters**"	the Hong Kong Underwriters and the International Underwriters
"**Underwriting Agreements**"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"**U.S.**" or "**United States**"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"**U.S. Securities Act**"	the United States Securities Act of 1933, as amended
"**US$**" or "**U.S. Dollars**"	U.S. dollars, the lawful currency of the United States of America
"**Villa La Luna**"	Villa La Luna (China) Co., Ltd. (月亮小屋（中國）有限公司), a company established in the PRC with limited liability on 30 June 2014, an indirect wholly owned subsidiary of our Company
"**Villa La Luna Group**"	Villa La Luna Group Limited 月亮小屋國際集團有限公司, a company incorporated in Hong Kong with limited liability on 3 March 2014, an indirect wholly owned subsidiary of our Company

"**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/ applicants' own name
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at **www.eipo.com.hk**
"**White Form eIPO Service Provider**"	Computershare Hong Kong Investor Services Limited
"**Xingshuo Guangzhou**"	Xingshuo (Guangzhou) Industrial Co., Ltd. (星朔（廣州）實業有限公司), a company established in the PRC with limited liability on 26 September 1997, an indirect wholly owned subsidiary of our Company
"**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
"**ZED**"	ZED Group Limited, a company incorporated in Samoa with limited liability on 16 March 2001 which is wholly owned by Ms. Pan, and one of our Controlling Shareholders

In this prospectus, unless the context otherwise requires, the terms "**associate**", "**connected person**", "**connected transaction**", "**controlling shareholder**", "**subsidiary**" and "**substantial shareholder**" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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.

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. Unless otherwise specified, this prospectus contains certain translations for convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK$1.00 to RMB0.9134, Renminbi into U.S. dollars at the rate of US$1.00 to RMB7.0795 and Hong Kong dollars into U.S. dollars at the rate of US$1.00 to HK$7.7501. The RMB to HK$ and US$ to RMB exchange rates are quoted by the PBOC for foreign exchange transactions prevailing on 30 June 2020. No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering and the Capitalisation Issue assume that the Over-allotment Option is not exercised.

B. GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

"618 Shopping Festival"	the annual online promotional event held by JD.com
"BM Laundry Academy"	the Blue Moon Applied Sciences and Laundry Academy (藍月亮洗滌研究院), our research and development institution with a focus on laundry products and laundry methods
"CAGR"	compound annual growth rate
"CCTV"	China Central Television, the state-owned television network in China
"cleaning consultant(s)"	staff we deploy to retail points of sale to deliver household care-related knowledge and answer inquiries of consumers
"COVID-19"	2019 novel coronavirus, being a disease caused by a new strain of coronavirus
"CRM system"	the client relationship management system
"fabric care product(s)"	mainly include laundry detergents and surfactant formulated to meet a variety of stain and soil removal, bleaching, fabric softening and conditioning and disinfectant requirements under different conditions
"GFA"	gross floor area
"home care product(s)"	products with an ability to remove dirt and stains from different materials, reducing germs and removing unpleasant odours
"ISO9001"	an international standard that specifies requirements for a quality management system
"ISO14001"	an international standard that specifies requirements for an effective environmental management system
"key account client(s)"	customer(s) which makes sustainably repeat purchases from a supplier
"kg"	kilogram
"KOL(s)"	person(s) or organisation(s) who have expert knowledge and influence in a respective field

"labour hours per unit"	our labour hours per unit is calculated by dividing the total production of the year by the total production time of the same year
"LDPE"	low density polyethylene
"liquefaction"	the process of transition a solid object to liquid
"Making"	the process of chemical mixing
"Moon House (月亮小屋) app"	our proprietary mobile app that provides a number of services to small grocery stores and other vendors, including wholesale, payment and product-related knowledge consultation
"OHSAS18001"	a British standard that specifies requirements for occupational health and safety management systems
"personal hygiene product(s)"	mainly include liquid soap and bar soup
"retail sales value"	a value which is calculated by (online product sales revenue × online channel mark-up × VAT + offline product sales revenue × offline channel mark-up × VAT) × adjusting factor
"Singles' Day"	the online promotional event held by Alibaba Group annually
"sq.m."	square metre
"Supreme Laundry (至尊洗衣) app"	our proprietary mobile app that provides a number of laundry related services to consumers, including order placement, payment, scheduled pickup, product purchase, and online consultation service
"surfactant(s)"	compounds that lower the surface tension between two liquids, between a gas and a liquid, or between a liquid and a solid
"tier one cities"	Beijing, Shanghai, Guangzhou and Shenzhen
"tier three cities"	Haikou, Zhuhai, Zhenjiang, Yangzhou, Linyi, Luoyang, Tangshan, Hohhot, Yancheng, Shantou, Langfang, Taizhou, Jining, Huzhou, Jiangmen, Yinchuan, Zibo, Handan, Wuhu, Zhangzhou, Mianyang, Guilin, Sanya, Zunyi, Xianyang, Shangrao, Putian, Yichang, Ganzhou, Huai'an, Jieyang, Cangzhou, Shangqiu, Lianyungang, Liuzhou, Yueyang, Xinyang, Zhuzhou, Hengyang, Xiangyang, Nanyang, Weihai, Zhanjiang, Baotou, Anshan, Jiujiang, Daqing, Xuchang, Xinxiang, Ningde, Xining, Suqian, Heze, Bengbu, Xingtai, Tongling, Fuyang,

	Jingzhou, Zhumadian, Xiangtan, Chuzhou, Zhaoqing, Deyang, Qujing, Qinhuangdao, Chaozhou, Jilin, Changde, Yichun and Huanggang
"tier two cities"	Chengdu, Hangzhou, Chongqing, Wuhan, Suzhou, Xi'an, Tianjin, Nanjing, Zhengzhou, Changsha, Shenyang, Qingdao, Ningbo, Dongguan, Wuxi, Kunming, Dalian, Xiamen, Hefei, Foshan, Fuzhou, Harbin, Jinan, Wenzhou, Changchun, Shijiazhuang, Changzhou, Quanzhou, Nanning, Guiyang, Nanchang, Nantong, Jinhua, Xuzhou, Taiyuan, Jiaxing, Yantai, Huizhou, Baoding, Taizhou, Zhongshan, Shaoxing, Urumqi, Weifang and Lanzhou
"tonne"	a metric unit of mass equal to 1,000 kilograms

If there is any inconsistency between the English version of this prospectus and the Application Forms, and their respective Chinese translation, the English version of this prospectus and the Application Forms, shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English version of this prospectus which are not in the English language and their English translations, the names in their respective original language shall prevail.


蓝月亮