Better Home Group Holdings Co., Limited
貝特集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1491

GLOBAL OFFERING

Sole Sponsor

Giraffe 智富

Joint Global Coordinators

Giraffe 智富

第一上海 First Shanghai Group

國泰君安國際 Guotai Junan International

Joint Bookrunners and Joint Lead Managers

Giraffe 智富

第一上海 First Shanghai Group

國泰君安國際 Guotai Junan International

駿昇証券有限公司 Quasar Securities Co., Limited

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

Better Home Group Holdings Co., Limited
貝特集團控股有限公司

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**125,000,000 Shares (subject to the Over-allotment Option)**
Number of International Placing Shares	:	**112,500,000 Shares (subject to reallocation and the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**12,500,000 Shares (subject to reallocation)**
Offer Price	:	**Not more than HK$1.2 per Offer Share and expected to be not less than HK$1.0 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**1491**

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Giraffe 智富 — 第一上海 First Shanghai Group — 國泰君安國際 Guotai Junan International

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Joint Lead Managers

富德金融 Futec Financial — 圓通環球證券 Yuan Tong Global Securities — 川文證券 Chuenman

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 "Documents Delivered to the Registrar of Companies in Hong Kong and On Display " in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for 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 (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 5 November 2021 or such later date as may be agreed by the Joint Global Coordinators and our Company, but in any event not later than Tuesday, 9 November 2021. The Offer Price will not be more than HK$1.2 per Offer Share and is currently expected to be not less than HK$1.0 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$1.2 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$1.2.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), and with consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of reduction of the indicative Offer Price range will be announced on the website of the Stock Exchange at ***www.hkexnews.hk*** and our Company's website at ***www.betterhomechina.com*** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Tuesday, 9 November 2021, the Global Offering will not proceed and will lapse immediately.

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" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

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

30 October 2021

Conditions imposed by the SFC pursuant to section 6(3)(b) of the Securities and Futures (Stock Market Listing) Rules

Pursuant to section 6(3)(b) of the Securities and Futures (Stock Market Listing) Rules, the SFC is imposing the following conditions to the Listing:

(i) Our Company having provided a complete list of the intermediaries involved in the placing, distribution or underwriting of the Global Offering (including the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, underwriting syndicate members, non-syndicate sub-placing agents and distributors) (each an "Intermediary" and together, the "Intermediaries") and the amount of placing and underwriting commissions and incentives paid/to be paid to each of them by 1700 hours Hong Kong time on the business day immediately preceding the Listing Date.

(ii) Our Company, the Sole Sponsor and each of the Intermediaries (as the case may be) having confirmed to the SFC and the Stock Exchange the following matters in writing by 1700 hours Hong Kong time on the business day immediately preceding the Listing Date:

(a) No benefits (in whatever form, including rebate, discount, incentive, commission, loan or otherwise) have been or will be given by our Company, any of its Controlling Shareholders, subsidiaries, Directors, senior management or any of their respective associates, to (i) the Sole Sponsor, (ii) any of the Intermediaries or (iii) any of the placees (including the ultimate beneficial owners, subsidiaries, directors, senior management or the respective associates of the parties referred to in (i), (ii) and (iii)) (together, the "Relevant Parties") directly or indirectly in connection with the Global Offering other than those set out in the Sole Sponsor engagement letter, placing and sub-placing agreements and/or underwriting agreements (as the case may be) and this prospectus.

(b) No benefits (in whatever form, including rebate, discount, incentive, commission, loan or otherwise) have been or will be given by the relevant Intermediary (including its ultimate beneficial owner, subsidiaries, directors, senior management or their respective associates) to (i) any other Intermediary or (ii) any of the placees (including the ultimate beneficial owners, subsidiaries, directors, senior management or the respective associates of the parties referred to in (i) and (ii)) directly or indirectly in connection with the Global Offering other than those set out in the placing and sub-placing agreements and/or underwriting agreements (as the case may be) and this prospectus.

(c) No side agreement, arrangement, undertaking or otherwise (verbal or written) has been or will be entered into by our Company (including its Controlling Shareholders, subsidiaries, Directors, senior management or their respective associates) and the Relevant Parties in connection with the Global Offering or any subsequent dealings in respect of the Company's securities, other than those set out in the respective Sole Sponsor engagement letter, placing and sub-placing agreements and/or underwriting agreements (as the case may be) and this prospectus.

(iii) Our Company undertakes that it will disclose the following in its first annual report published after the Listing and the annual report for the first full financial year after the Listing:

(a) The confirmations set out in condition (ii) above;

(b) The details of any transactions between (i) our Company, our Controlling Shareholders, subsidiaries, Directors, senior management or their respective associates; and (ii) any of the Relevant Parties, consultants or advisers involved in the application of the Listing, commencing from the beginning of the respective financial years and ending on the date of such respective annual reports, or a negative statement where applicable; and

(c) Where our Company or any of its subsidiaries is a party to the transaction(s) referred to in condition (iii)(b) above, the views of our Company's independent non-executive Directors and our compliance adviser on whether such transaction(s) was/were entered into in the ordinary and usual course of business of our Company and its subsidiaries, conducted on normal commercial terms and was/were in the interests of the Shareholders as a whole.

(iv) The conditions imposed by the SFC for not objecting to the Listing are set out in full in this prospectus. Notwithstanding that, the SFC may impose further conditions for not objecting to the Listing at any time before the Listing.

Conditions for our Company's Listing imposed by the Listing Committee of the Stock Exchange (the "Listing Committee"): -

The Listing Committee imposed the following two conditions to our Company's Listing: -

(i) our Company and the Sole Sponsor should provide the Listing Committee with concrete details of our Company's marketing plan, including our strategies for investor targeting, marketing, pricing and allocation. Where there is any subsequent departure from these strategies, our Company and the Sole Sponsor should provide explanations and address any further enquiries in this regard; and

(ii) our Company undertakes that it should report to its compliance advisor on the status of the use of proceeds on a monthly basis for 12 months following its Listing, and our Company and its compliance advisor should timely inform the Stock Exchange of deviations from the use of proceeds and/or underwriting commission and listing expenses as stated in this prospectus, and where appropriate, make announcements.

If our Company fails to fulfil the aforesaid condition (i) and undertake to comply with condition (ii), listing approval will not be granted to our Company. Hence, our Company may not obtain the listing approval for the Listing.

*We will issue an announcement in Hong Kong to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.betterhomechina.com** if there is any change in the following expected timetable of the Hong Kong Public Offering.*

Hong Kong Public Offering commences[1] . . . . 9:00 a.m. on Saturday, 30 October 2021

Latest time for completing electronic applications under the **eWhite Form** service through the designated website ***www.ewhiteform.com.hk*** [2]: . . . . 11:30 a.m. on Friday, 5 November 2021

Application lists of the Hong Kong Public Offering open[3] . . . . 11:45 a.m. on Friday, 5 November 2021

Latest time for (1) completing payment of **eWhite Form** applications by effecting PPS payment transfer(s); and (2) latest time for giving **electronic application instructions** to HKSCC[10][4] . . . . 12:00 noon on Friday, 5 November 2021

If you are instructing 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 are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close[3]. . . . . 12:00 noon on Friday, 5 November 2021

Expected Price Determination Date[5]. . . . . Friday, 5 November 2021

Announcement of the final Offer Price, the indication of levels of interest in the International Placing, the level of applications in respect of the Hong Kong Public Offering and the basis of allotment of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the website of our Company at ***www.betterhomechina.com*** and on the website of the Stock Exchange at ***www.hkexnews.hk*** on or before[6] . . . . Thursday, 11 November 2021

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) to be available through a variety of channels, including the website of our Company at ***www.betterhomechina.com*** and the website of the Stock Exchange at ***www.hkexnews.hk***, as described in the paragraphs headed "How to apply for the Hong Kong Offer Shares — 11. Publication of results" in this prospectus from	Thursday, 11 November 2021
Results of allocations in the Hong Kong Public Offering will be available at ***www.ewhiteform.com.hk/results*** with a "search by ID Number" function from	Thursday, 11 November 2021
Despatch/Collection of share certificates or deposit of share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before(7),(9)	Thursday, 11 November 2021
Despatch/Collection of e-Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before(7),(8),(10)	Thursday, 11 November 2021
Dealings in Shares on the Main Board are expected to commence at	9:00 a.m. on Friday, 12 November 2021

The application for the Hong Kong Offer Shares will commence on Saturday, 30 October 2021 through Friday, 5 November 2021. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 11 November 2021. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Friday, 12 November 2021.

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of our Company at ***www.betterhomechina.com*** and the website of the Stock Exchange at ***www.hkexnews.hk***.

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

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 November 2021, the application lists will not open or close on that day. Please refer to the paragraphs headed "How to apply for the Hong Kong Offer Shares — 10. Effect of bad weather and/or Extreme Conditions on the opening and the closing of the application lists" in this prospectus. If the application lists do not open and close on Friday, 5 November 2021, the dates mentioned in this section headed "Expected timetable" may be affected. We will make an announcement in such event.

4. Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraphs headed "How to apply for the Hong Kong Offer Shares — 6. Applying through **CCASS EIPO** Service" in this prospectus.

5. The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Friday, 5 November 2021 (or such other date as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, but in any event not later than Tuesday, 9 November 2021). If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Tuesday, 9 November 2021, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse immediately.

6. None of the website or any information contained on the website forms part of this prospectus.

7. Applicants who apply through **eWhite Form** for 1,000,000 or more Hong Kong Offer Shares may collect share certificates (if applicable) in person may do so from our Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 11 November 2021 or any other date notified by us as the date of despatch of share certificates/refund cheques. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

   Applicants who apply for the Hong Kong Offer Shares through **CCASS EIPO** service should refer to the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus for details.

   If an applicant has applied for less than 1,000,000 Hong Kong Offer Shares, the Share certificate (if applicable) and/or refund cheque will be despatched by ordinary post (at the applicant's own risk) to the address specified on the **electronic application instructions** to the **eWhite Form** Service Provider.

8. e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your

Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the paragraphs headed "How to apply for the Hong Kong Offer Shares — 14. Despatch/collection of share certificates and refund monies" in this prospectus.

Applicants who apply through **eWhite Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Refund payment instructions. Applications who apply through **eWhite Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to **eWhite Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

9. Share certificates will only become valid certificates of title provided that the Hong Kong Public Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

10. Uncollected Share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in their application instructions. Further information is set out in the section headed "How to apply for the Hong Kong Offer Shares — 13. Refund of application monies" in this prospectus.

The above expected timetable is a summary only. Particulars of the structure and conditions of the Global Offering are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus. Details relating to how to apply for the Hong Kong Offer Shares are set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Global Offering. Information contained on our website, located at ***www.betterhomechina.com****, does not form part of this prospectus.*

CONTENTS

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

OVERVIEW

We are principally engaged in the design, development, manufacture and sale of a wide variety of (i) laundry products; (ii) household cleaning tools; and (iii) kitchen gadgets, which are common items of household necessity products. Our businesses are export-oriented and our products are predominantly sold to the United States, the United Kingdom, Germany and Australia. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, sales of our product to these countries in aggregate amounted to approximately RMB302.5 million, RMB310.9 million, RMB342.0 million and RMB104.6 million, respectively, accounting for approximately 92.0%, 92.3%, 88.9% and 82.8% of our total revenue for the corresponding years and period, respectively. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, the sales of our laundry products delivered to the United Kingdom, Germany and Australia constituted approximately 85.1%, 86.2%, 79.2% and 75.6% of the total revenue of our laundry products, respectively. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our revenue generated from the sales of our household cleaning products delivered to the United States accounted for approximately 84.3%, 85.2%, 84.8% and 71.5% of the total revenue of our household cleaning tools, respectively. According to the CIC Report, we ranked second in the drying rack manufacturing market in the PRC in terms of export revenue in 2020, with a market share of approximately 6.6%.

OUR BUSINESS MODEL

Our business is primarily conducted on an OEM and ODM basis. Our OEM business generally involves the manufacture and sale of products mainly based on customers' specifications, technical drawings, samples and the choice of raw materials at target ex-factory price, and if appropriate, with our inputs on the technical feasibility in the mass production of the products.

Our ODM business involves transforming our customers' ideas and concepts into physical products with various degree of involvement enabling our customers to enjoy our "one-stop service" in terms of product design, selection of raw materials, production, and quality control for their products.

During the Track Record Period, we also generated a small portion of revenue from the sale of products under our own brand, namely "*Jia Ji Bao*" (家吉寶), to local customers in the PRC. Since May 2020, our Group has started selling household necessity products under our own brands to a customer which operates retail stores chains in the United Kingdom. Our Directors believe that there will be no cannibalisation between our own-brand products and our OEM or ODM products in the United Kingdom because of (i) different target customer types as our own-brand products are targeted for end-consumers and/or distributors while our OEM or ODM products are for brand owners and/or their authorised agents; and (ii) different price positioning as the proposed selling price range of our own-brand products is generally lower than that of our OEM or ODM products.

The following table sets forth the breakdown of our revenue, gross profit and gross profit margin by business model for the years and periods indicated:

	For the year ended 31 December								
	2018			2019			2020		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	%	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	%
OEM	248,094	66,855	26.9	248,818	67,888	27.3	294,702	86,276	29.3
ODM	79,698	23,853	29.9	87,354	26,424	30.2	87,543	27,297	31.2
OBM	956	311	32.5	381	117	30.7	2,495	715	28.7
Total	**328,748**	**91,019**	**27.7**	**336,553**	**94,429**	**28.1**	**384,740**	**114,288**	**29.7**

	For the four months ended 30 April					
	2020			2021		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000 (unaudited)	*RMB'000* (unaudited)	%	*RMB'000*	*RMB'000*	%
OEM	81,093	25,523	31.5	93,578	24,912	26.6
ODM	31,720	10,757	33.9	30,935	9,458	30.6
OBM	29	9	31.0	1,727	453	26.2
Total	**112,842**	**36,289**	**32.2**	**126,240**	**34,823**	**27.6**

OUR PRODUCTS

Approximately 98.4%, 98.6%, 95.9% and 99.0% of our total revenue for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, respectively was generated from the sale of our laundry products and household products. As at the Latest Practicable Date, we offered over 1,800 types of products with various functions and features. The table below sets forth the breakdown of our revenue, sales volume, average selling price, gross profit and gross profit margin by product category for the years and periods indicated:

	For the year ended 31 December														
	2018					2019					2020				
	Revenue	Sales volume	Average selling price	Gross profit	Gross profit margin	Revenue	Sales volume	Average selling price	Gross profit	Gross profit margin	Revenue	Sales volume	Average selling price	Gross profit	Gross profit margin
	RMB'000	*'000 unit*	*RMB*	*RMB'000*	*%*	*RMB'000*	*'000 unit*	*RMB*	*RMB'000*	*%*	*RMB'000*	*'000 unit*	*RMB*	*RMB'000*	*%*
Laundry products	159,029	5,498	28.9	45,062	28.3	165,008	5,707	28.9	47,790	29.0	176,963	6,943	25.5	52,734	29.8
Household cleaning tools	164,386	19,043	8.6	44,415	27.0	166,712	17,562	9.5	45,065	27.0	192,025	21,632	8.9	56,556	29.5
Kitchen gadgets	5,333	244	21.9	1,542	28.9	4,833	205	23.6	1,574	32.6	15,752	654	24.1	4,998	31.7
Total	**328,748**	**24,785**		**91,019**	**27.7**	**336,553**	**23,474**		**94,429**	**28.1**	**384,740**	**29,229**		**114,288**	**29.7**

	For the four months ended 30 April									
	2020					2021				
	Revenue	Sales volume	Average selling price	Gross profit	Gross profit margin	Revenue	Sales volume	Average selling price	Gross profit	Gross profit margin
	RMB'000 (unaudited)	*'000 unit*	*RMB*	*RMB'000* (unaudited)	*%*	*RMB'000*	*'000 unit*	*RMB*	*RMB'000*	*%*
Laundry products	69,075	2,326	29.7	22,429	32.5	78,471	2,289	34.3	22,283	28.4
Household cleaning tools	41,018	4,633	8.9	12,966	31.6	46,452	6,010	7.7	12,183	26.2
Kitchen gadgets	2,749	118	23.3	894	32.5	1,317	67	19.7	357	27.1
Total	**112,842**	**7,077**		**36,289**	**32.2**	**126,240**	**8,366**		**34,823**	**27.6**

Our overall gross profit margin decreased from approximately 32.2% for the four months ended 30 April 2020 to approximately 27.6% for the corresponding period in 2021, which was the result of (i) the increase in the overall costs of sales attributed to (a) the relatively higher labour cost after resumption of payment of social insurance contributions for our employees, which had been temporarily exempted by the relevant authorities in the PRC from February to June 2020 due to COVID-19 pandemic; and (b) the increase in processing fees paid to external plastic injection service providers attributed to the corresponding increase in the quantity of the ancillary plastic components processed by them as a result of the high utilisation of our plastic injection machines to cope with the increase in demand of our products during the period; and (ii) the decrease in overall average selling prices of our household cleaning tools.

OUR PRODUCTION FACILITY

During the Track Record Period and as at the Latest Practicable Date, we undertook the production of our products in our self-owned Huzhou Production Plant located in Huzhou City, Zhejiang Province, the PRC, with a gross floor area of approximately 58,441 sq.m.. As advised by our PRC Legal Advisers, we obtained all relevant licences and certificates required to operate our Huzhou Production Plant. As plastic injection moulding process is generally used in the production of our products, our Directors consider that it is the bottleneck of the entire production process of our products, which determines the output of all our products; and the utilisation of plastic injection machines shall be used to assess the production capacity and the utilisation rates of the production facilities in our Huzhou Production Plant. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, the utilisation rates of our plastic injection machines for producing laundry products were approximately 94.4%, 95.8%, 91.0% and 93.2%, respectively; and the utilisation rates of which for production of household cleaning tools were approximately 99.1%, 93.8%, 95.0% and 93.2%, respectively and for production of kitchen gadgets were 65.8%, 63.1%, 98.5% and 86.0%, respectively. As such, we had outsourced the plastic injection moulding process to three external plastic injection service providers, who are connected persons of our Company, to produce small and simple ancillary plastic components, that requires less workmanship and only involves the use of standard mould base on as-needed basis. Our own plastic injection machines are reserved for the production of the integral plastic components of our products, which requires the use of the moulds of specific designs and involves a high level of precision and unique workmanship. During the Track Record Period, the processing fees paid to these external plastic injection service providers amounted to approximately RMB12.8 million, RMB14.5 million, RMB15.9 million and RMB8.0 million, respectively, representing approximately 5.4%, 6.0%, 5.9% and 8.8% of our total cost of sales in the corresponding years and period. The processing fees increased from approximately 5.9% of our total cost of sales for the year ended 31 December 2020 to approximately 8.8% of our total cost of sales for the four months ended 30 April 2021, which was mainly due to the increase in the quantity of ancillary parts processed by them as a result of the high utilisation of our plastic injection machines in our Huzhou Production Plant to cope with the increase in demand of our products during these four months. In light of the above, we plan to establish a new production plant in proximity to our Huzhou Production Plant to complement the latter's operation by mainly carrying out plastic injection moulding process whereby the outsourcing arrangement can be ceased. For details, please refer to the paragraphs headed "Business — Our Business Strategies — I. Expand our production capacity by establishing the New Production Plant" in this prospectus.

OUR SALES AND CUSTOMERS

Our customers are mainly owners or authorised agents of well-established international brands which sell our products in overseas countries as wholesaler, such as Bradshaw Group or as retailer. The following table sets forth the breakdown of our revenue, gross profit and gross profit margin by the destination of delivery of our products for the years and periods indicated:

	For the year ended 31 December								
	2018			2019			2020		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	%	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	%
United States	147,544	38,825	26.3	149,571	39,860	26.6	178,109	51,731	29.0
United Kingdom	62,070	19,027	30.7	60,538	18,979	31.4	61,593	20,196	32.8
Germany	52,690	16,623	31.5	62,740	19,571	31.2	61,764	19,619	31.8
Australia	40,156	9,415	23.4	38,075	8,985	23.6	40,542	10,467	25.8
Others *(Note)*	26,288	7,129	27.1	25,629	7,034	27.4	42,732	12,275	28.7
Total	**328,748**	**91,019**	**27.7**	**336,553**	**94,429**	**28.1**	**384,740**	**114,288**	**29.7**

	For the four months ended 30 April					
	2020			2021		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000 (unaudited)	*RMB'000* (unaudited)	%	*RMB'000*	*RMB'000*	%
United States	35,572	11,024	31.0	33,984	8,780	25.8
United Kingdom	26,593	9,098	34.2	26,253	7,763	29.6
Germany	26,513	8,855	33.4	35,202	10,173	28.9
Australia	11,065	3,129	28.3	9,116	2,187	24.0
Others *(Note)*	13,099	4,183	31.9	21,685	5,920	27.3
Total	**112,842**	**36,289**	**32.2**	**126,240**	**34,823**	**27.6**

Note: Others include Austria, Belgium, France, New Zealand, the Netherlands, Canada, etc.

Our revenue attributable to the United Kingdom remained relatively stable before and after the United Kingdom ceased to be a member of the EU since 31 January 2020 and during the transitional period before the EU-UK Trade and Cooperation Agreement was reached on 24 December 2020. The increase in our revenue derived from the United States in 2019 and 2020 was mainly due to the increase in our sales of household cleaning tools with relatively higher unit prices to the Bradshaw Group. The decrease in our revenue derived from Australia in 2019 was mainly due to the decrease in our sales of laundry products to Customer B, as a result of change of product mix ordered by Customer B i.e. to more component parts of our rotary drying racks which had relatively lower average selling prices, partially offset by the increase in our sales of foldable drying racks to Casa Si Marketing — und VertriebsgmbH as a result of its marketing strategies to promote these products. The increase in our revenue derived from Germany for the four months ended 30 April 2021 was mainly due to (i) the increase in our sales of laundry products to a customer, which is a brand owner, in Germany during the period and (ii) the increase in sales of component parts of a model of our floor cleaning tools to Customer A, one of our five largest customers during the Track Record Period.

For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our sales to our five largest customers accounted for approximately 77.9%, 76.9%, 80.5% and 72.9% of our total revenue, respectively. In the corresponding years and period, sales to Bradshaw Group, our largest customer, accounted for approximately 42.2%, 41.4%, 41.8% and 26.0% of our total revenue, respectively. Our Directors believe that our Group's business model is sustainable despite there are certain degrees of customer concentration based on the grounds that (i) our production capabilities can satisfy our customers' needs for quality products; (ii) there are continuous demands for household necessity products in the overseas markets; (iii) our established reputation for offering quality products and our experience in serving well-established international brands makes us appealing to other well-established international brands; and (iv) we expand to OBM business by developing our own-brand products.

The following table sets forth the breakdown of our revenue, gross profit and gross profit margin by customer types for the years and periods indicated:

	For the year ended 31 December								
	2018			**2019**			**2020**		
	Revenue RMB'000	*Gross profit RMB'000*	*Gross profit margin %*	*Revenue RMB'000*	*Gross profit RMB'000*	*Gross profit margin %*	*Revenue RMB'000*	*Gross profit RMB'000*	*Gross profit margin %*
Wholesalers *(Note 1)*	258,231	69,475	26.9	268,639	73,404	27.3	310,851	90,527	29.1
Retailers *(Note 2)*	69,561	21,233	30.5	67,606	20,900	30.9	72,511	23,094	31.8
Others *(Note 3)*	956	311	32.5	308	125	40.6	1,378	667	48.4
Total	**328,748**	**91,019**	**27.7**	**336,553**	**94,429**	**28.1**	**384,740**	**114,288**	**29.7**

	For the four months ended 30 April					
	2020			2021		
	Revenue *RMB'000* (unaudited)	*Gross profit* *RMB'000* (unaudited)	*Gross profit* *margin %*	*Revenue* *RMB'000*	*Gross profit* *RMB'000*	*Gross profit* *margin %*
Wholesalers *(Note 1)*	84,041	26,362	31.4	91,354	24,189	26.5
Retailers *(Note 2)*	28,261	9,711	34.4	34,811	10,592	30.4
Others *(Note 3)*	540	216	40.0	75	42	56.0
Total	**112,842**	**36,289**	**32.2**	**126,240**	**34,823**	**27.6**

Notes:

1. The wholesalers include companies mainly engaged in the on-sale of our products to other business entities.
2. The retailers are companies mainly engaged in the sale of our products to consumers through chains of multinational supermarkets, department stores and household accessory stores.
3. Others mainly represent sales through e-shops.

Our sales to retailers remained relatively stable for the year ended 31 December 2018, 2019 and 2020 and it increased by approximately RMB6.5 million for the four months ended 30 April 2021 as compared to the corresponding period in 2020, which was mainly due to (i) the increase in sales of laundry products to a brand owner, in Germany and (ii) the increase in sales of component parts of a model of our floor cleaning tools to Customer A during the aforesaid period.

OUR SUPPLIERS

Our suppliers mainly include suppliers of raw materials such as polypropylene resins, steel, textiles and packaging materials and plastic injection service providers in the PRC. During the Track Record Period, the total purchases from our five largest suppliers amounted to approximately RMB63.0 million, RMB61.6 million, RMB61.2 million and RMB26.4 million, representing approximately 35.1%, 32.5%, 29.3% and 33.2% of our total purchase for the same years/period, of which approximately 16.9%, 15.8%, 14.8% and 15.0% were attributed by our largest supplier for the same years/period, respectively. Save for Deqing Xinzhong, being one of our plastic injection service providers, which is a connected person to our Company and was our fourth largest supplier for the year ended 31 December 2019 and for the four months ended 30 April 2021, all of our five largest suppliers during the Track Record Period are Independent Third Parties. Our business relationship with our five largest suppliers during the Track Record Period ranged from approximately four years to 11 years.

TAX REBATE AND VAT RECOVERABLE

As our products are primarily exported to overseas countries, we are entitled to VAT rebate from the PRC tax authority for the input VAT incurred on our purchase of raw materials and machinery for production. The amount of VAT rebate is calculated by multiplying the invoiced value of our export sales with varying rebate rate, depending on the type of the products, and would be payable to us only in the following year. As such, there is a timing difference between the amount of sales revenue recognised from our export sales and the amount of tax rebate in our export tax rebate application in a year (the "**VAT Timing Difference**"). On the other hand, there may be difference in the amount of VAT rebate to be received by us and the input VAT paid or payable by us due to differences in the applicable rates and time of payment; and the relevant balance will be our VAT recoverable.

For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our VAT rebate amounted to approximately RMB39.9 million, RMB47.9 million, RMB46.9 million and RMB18.1 million whereas our VAT recoverable amounted to approximately RMB2.4 million, RMB5.3 million, RMB3.0 million and RMB3.3 million. Our VAT rebate was generally stable for the years ended 31 December 2019 and 2020; and the increase of VAT rebate in the sum of approximately RMB8.0 million from the year ended 31 December 2018 to 2019 was mainly due to (i) the VAT Timing Difference as defined above; (ii) the upward adjustment of the tax rebate rates applicable to our certain products with effect from 1 November 2018; and (iii) the grace period of three months from April to June 2019 and during which, the original rates of rebate continued to apply before implementation of the downward adjustment. On the other hand, our VAT recoverable increased from approximately RMB2.4 million for the year ended 31 December 2018 to approximately RMB5.3 million for the year ended 31 December 2019, which was due to the increase in input VAT balance resulted from our purchase of machinery and production equipment of approximately RMB14.8 million in 2019. Following the settlement of the relevant VAT rebate in November 2020 for the preceding year, our VAT recoverable decreased to approximately RMB3.0 million in 2020.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our success was attributed to the following competitive strengths: (i) our well-established Huzhou Production Plant enables us to achieve mass production of a wide range of products and economies of scale; (ii) our product design and development capabilities enable us to offer a comprehensive product portfolio to our customers; (iii) we have a worldwide customer base; (iv) we are committed to high standard of quality control and quality assurance; and (v) we have a stable management team with extensive industry experience and proven track record of delivering sustainable growth and profitability.

OUR BUSINESS STRATEGIES

Our goal is to achieve sustainable growth in our current business and strengthen our production capacity to secure more business opportunities by implementing the following business strategies; (i) expand our production capacity by establishing the New Production Plant; (ii) enhance the production efficiency of our Huzhou Production Plant; (iii) develop an integrated smart manufacturing system to ensure effective execution of our manufacturing process and enhance our production efficiency; (iv) expand our sales and marketing network; and (v) further enhance our product design and development capabilities.

COMPETITIVE LANDSCAPE IN THE PRC

According to the CIC Report, a majority of drying rack manufacturers are located in the Pearl River Delta and Yangtze River Delta in the PRC, covering provinces of Guangdong, Jiangsu, Zhejiang, Shandong and Hebei. As at the end of 2020, of the approximately 600 drying rack manufacturers in the PRC, around 100 manufacturers also engaged in export business. The top five players in the PRC's drying rack manufacturing market in terms of export revenue accounted for approximately 32.6% of market share. According to the CIC Report, we ranked second in the drying rack manufacturing market in the PRC in terms of export revenue in 2020, with a market share of approximately 6.6%.

According to the CIC Report, as at the end of 2020, of the approximately 8,000 household cleaning tool manufacturers in the PRC, more than 2,000 manufacturers also engaged in export business. The top five players in the PRC's household cleaning tool market accounted for approximately 2.7% of the total market in terms of export revenue in 2020 and we have a market share of approximately 0.4%.

According to the CIC Report, the PRC is the largest kitchen gadget manufacture and exporter and the market is fragmented with over 3,000 participants, which are mainly small enterprises with annual sales revenue below RMB100 million.

IMPACT OF THE TRADE WAR ON OUR BUSINESS

In light of the China-United States trade war, nearly all our Group's products sold to the United States appear to fall under List 4A or List 3 in relation to the imposition of additional duty on imported Chinese products, which are subject to additional duty. Only one type of our products (i.e. window cleaning set) was under List 4B, of which, as at the Latest Practicable Date, additional duty is currently suspended. Our Directors confirm that as at the Latest Practicable Date, we had not been asked to reduce the selling price of our products or to bear any of such duty for which our customers was responsible. Regarding our products sold to the United States, which are under List 3 (i.e. 25% duty rate), List 4A (i.e. 7.5% duty rate) and List 4B (i.e. 7.5% duty rate which is, as at the Latest Practicable Date, suspended), our Directors are of the view that the demand and the average selling prices of these products will not be materially and adversely affected. For further details, please refer to the paragraph headed "Business — Impact of the trade war on our business" and the paragraphs headed "Financial information — Significant factors affecting our financial condition and results of operations — Our business is subject to international trade policies and trade barriers" in this prospectus.

SUMMARY OF KEY FINANCIAL INFORMATION

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the years ended 3l December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021.

Consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	328,748	336,553	384,740	112,842	126,240
Cost of sales	(237,729)	(242,124)	(270,452)	(76,553)	(91,417)
Gross profit	91,019	94,429	114,288	36,289	34,823
Other income	3,051	3,581	4,639	1,229	913
Selling and distribution expenses	(17,566)	(14,978)	(15,228)	(4,512)	(5,403)
Administrative and other operating expenses	(24,221)	(28,180)	(26,447)	(9,053)	(11,438)
Listing expenses	—	(5,974)	(7,683)	(3,286)	(1,184)
Finance costs	(624)	(718)	(334)	(241)	(42)
Other gains/(losses), net	4,244	1,628	(3,957)	(480)	(1,465)
Share of results of a joint venture	62	22	—	—	—
Profit before income tax	55,965	49,810	65,278	19,946	16,204
Income tax expense	(14,969)	(15,753)	(19,026)	(6,100)	(4,314)
Profit for the year period	40,996	34,057	46,252	13,846	11,890

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other comprehensive (expense)/income, net of tax					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	(874)	(382)	110	155	661
Item that will not be reclassified subsequently to profit or loss:					
Financial assets at fair value through other comprehensive income — net movement in fair value reserves (non-recycling)	17	49	353	281	(209)
Other comprehensive (expense)/income for the year/period	(857)	(333)	463	436	452
Total comprehensive income for the year/period	40,139	33,724	46,715	14,282	12,342

Non-HKFRS Measures

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted net profits as non-HKFRS measures, which are not required by, or presented in accordance with, HKFRS. We believe that these non-HKFRS measures facilitate comparison of operating performance from period to period by eliminating impacts of non-recurring items that we do not consider to be indicative of our operating performance, including Listing expenses.

The table below sets out the adjusted net profit in each respective years and periods during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profits for the year/period	40,996	34,057	46,252	13,846	11,890
Add: Listing expenses	—	5,974	7,683	3,286	1,184
Adjusted net profit for the year/period	40,996	40,031	53,935	17,132	13,074

Our adjusted net profit for the year ended 31 December 2019 remained stable as compared to 2018 mainly due to the increase in gross profit, which was partially offset by the decrease in net foreign exchange gain for the same year. Our increased adjusted net profit for the year ended 31 December 2020 was mainly due to the increase in gross profit for the year. Our adjusted net profit decreased from approximately RMB17.1 million for the four months ended 30 April 2020 to approximately RMB13.1 million for the corresponding period in 2021, which was mainly due to the decrease in gross profit and the increase in staff costs during the period.

We believe that these non-HKFRS measures provide useful information to investors in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods though the use of which has limitations as an analytical tool. As such, they should not be considered in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

Fluctuation of our key financial data

Our revenue increased by approximately 2.4% from 2018 to 2019, which was primarily due to the combined effects of (i) the increase in sales volume of our laundry products, particularly, the increase in the sales of a model of upright drying tracks to Addis Housewares Co. Ltd.; and (ii) the increase in the sales of our household cleaning tools during 2019 mainly due to the increase in average selling prices of our floor cleaning tools and toilet cleaning tools. Our average selling price of kitchen gadgets increased mainly due to the increase in sales of one model of products which had a relatively higher average selling price. Along the increase in our revenue, our cost of sales increased by approximately 1.9% during 2019, primarily due to the increase in direct labour costs resulting from the increase in average number of workers for production in 2019. Our gross profit increased by approximately 3.7% during 2019 mainly due to the combined effects of the increase in the gross profit of laundry products and the increase in the gross profit of household cleaning tools. Despite the increase in our gross profits, our net profit decreased by approximately 16.8% from 2018 to 2019, which was mainly due to the Listing expenses.

Our revenue increased by approximately 14.3% from 2019 to 2020, which was primarily due to the combined effects of the respective increases in (i) the sales volume of our laundry products, particularly, our sales to Customer B; (ii) the sales volume of our household cleaning tools during 2020, particularly, our sales of multi-purpose brushes to Bradshaw Group; and (iii) the sales of our kitchen gadgets, mainly due to the corresponding increase in sales volume during 2020. Our average selling price of laundry products decreased in 2020 mainly due to the increase in sales of the component parts of a model of our wall-mounted drying racks, which had relatively lower average selling prices, to Customer B for 2020. Our average selling price of kitchen gadgets increased in 2020 mainly due to the increase in the sales of several models of our kitchen gadgets, which had relatively higher average selling prices. Along with the increase in our revenue, our cost of sales increased, primarily due to the increase in purchase in raw materials to cope with the increase in our sales during 2020. Our gross profit increased by approximately 21.0% in 2020, which was primarily due to the combined effects of the increase in the respective gross profit of (i) our rotary drying racks and auxiliary items among our laundry products; (ii) our floor cleaning tools and toilet cleaning tools among our household cleaning tools; and (iii) our kitchen gadgets as a result of the increase in sales volume and average selling price during 2020. Along the increase in our gross profit, our net profit increased by approximately 35.8% during 2020.

For the four months ended 30 April 2021 as compared to the corresponding period in 2020, our revenue increased by approximately 11.9%, which was primarily due to the effects of the increase in the sales of (i) our laundry products as a result of the increase in average selling price; and (ii) our household cleaning tools which was mainly due to the increase in sales volume. Our gross profit decreased by approximately 4.0%, which was primarily due to the combined effects of the decrease in the gross profit of (i) our floor cleaning tools among our household cleaning tools; and (ii) our kitchen gadgets which was mainly resulted from the decrease in sales of volume and average selling price.

For more detailed discussion on the fluctuation of our key financial data during the Track Record Period, please refer to the section headed "Financial information" in this prospectus.

Consolidated statements of financial position

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	103,233	112,297	108,585	106,819
Current assets	214,988	201,992	253,739	263,997
Total assets	318,221	314,289	362,324	370,816
Total equity	152,695	154,919	201,634	213,976
Current liabilities	164,138	156,556	156,418	152,241
Non-current liabilities	1,388	2,814	4,272	4,599
Net current assets	50,850	45,436	97,321	111,756

Our current assets increased from approximately RMB202.0 million as at 31 December 2019 to approximately RMB253.7 million as at 31 December 2020, which was mainly attributable to the increases (i) in cash at bank as at 31 December 2020 resulting from net cash generated from operating activities; (ii) in trade receivables which was in line with the increase in revenue in 2020 and (iii) in inventories resulting from the increase in work in progress to cope with the expected sales to our major customers such as Casa Si Marketing — und VertriebsgmbH at the beginning of 2021.

Our net current assets remained relatively stable as at 31 December 2018 and 2019, but increased by approximately RMB51.9 million as at 31 December 2020, which was mainly due to the increase in cash at bank for the year resulting from net cash generated from operating activities of approximately RMB71.9 million. Our net current assets further increased by approximately RMB14.5 million as at 30 April 2021, which was mainly due to the increase in inventories to cope with the expected sales to our major customers in the second and third quarters of 2021. For further discussions on the fluctuations of the components of consolidated statements of financial position, please refer to the paragraphs headed "Financial information — Discussion on selected balance sheet items" in this prospectus.

Consolidated statements of cash flows

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating profit before working capital changes	64,403	61,224	78,506	24,073	20,941
Changes in working capital	(23,441)	(31,158)	13,531	31,236	(19,005)
Income tax paid	(7,161)	(12,425)	(20,152)	(12,254)	(2,066)
Net cash generated from/(used in) operating activities	33,801	17,641	71,885	43,055	(130)
Net cash used in investing activities	(32,476)	(20,125)	(8,153)	(15,422)	(1,991)
Net cash (used in)/generated from financing activities	(12,032)	2,199	(15,577)	(13,728)	2,021
Net (decrease)/increase in cash and cash equivalents	(10,707)	(285)	48,155	13,905	(100)
Cash and cash equivalents at the beginning of the year/period	33,495	23,601	23,649	23,649	69,655
Effect of exchange rate changes	813	333	(2,149)	253	(669)
Cash and cash equivalents at the end of the year/period	23,601	23,649	69,655	37,087	68,886

Our net cash generated from operating activities increased to approximately RMB71.9 million for the year ended 31 December 2020 mainly due to (i) increase in profit before income tax; (ii) decrease in financial assets at FVTPL; and (iii) increase in trade and other payables. Our net cash generated from operating activities decreased from approximately RMB43.1 million for the four months ended 30 April 2020 to net cash used in operating activities of approximately RMB0.1 million for the four months ended 30 April 2021 mainly due to (i) decrease in profit before income tax; (ii) purchase of raw materials to cope with the expected sales to our major customers such as Casa Si Marketing — und VertriebsgmbH to be delivered in the second and third quarters of 2021; and (iii) the settlement of trade payables of approximately RMB88.4 million during the period.

Our net cash used in investing activities decreased to approximately RMB20.1 million, RMB8.2 million and RMB2.0 million for the year ended 31 December 2019, 2020 and the four months ended 30 April 2021, respectively which was mainly due to the decrease in advance to related parties, the decrease in purchase of property, plant and equipment and the purchase of property, plant and equipment and change in pledged bank deposits in the corresponding years and period.

Our Group recorded net cash generated from financing activities for the year ended 31 December 2019, as we had not made any repayment to related parties during 2019. Our Group recorded net cash used in financing activities for the year ended 31 December 2020 mainly attributable to (i) the higher repayment of bank borrowings than proceeds from bank borrowings; and (ii) the repayment to related parties during the year ended 31 December 2020. Our net cash generated from financing activities increased for the four months ended 30 April 2021 mainly attributable to the proceeds from bank borrowings which partially offset by the repayment of bank borrowings.

We take and will continue to take various measures to improve our cash flow position by (i) planning and monitoring our liquidity position by regularly assessing necessity and urgency of our major operational expenses; (ii) closely monitoring the collection status of our trade receivable by actively following up with our customers for payment; (iii) negotiating for down payment from our customers whose purchase orders are of large amount; (iv) closely monitoring the accumulation of outstanding balance of trade receivables and following up with such customers for settlement in a timely manner; (v) diversifying both our customer base and supplier base to avoid over-reliance on any particular customers and suppliers; (vi) negotiating for longer credit periods from our suppliers leveraging our established relationship with them; and (vii) maintaining stable relationships with our principal banks to arrange banking facilities for use when necessary.

For more detailed discussion of the fluctuation of our cash flows during the Track Record Period, please refer to the section headed "Financial information — Liquidity and capital resources — Cash flows" in this prospectus.

KEY FINANCIAL RATIO

The table below sets out our selected key financial ratios during the Track Record Period:

	As at/For the year ended 31 December			**As at/For the four months ended 30 April**
	2018	**2019**	**2020**	**2021**
Gross profit margin	27.7%	28.1%	29.7%	27.6%
Net profit margin	12.5%	10.1%	12.0%	9.4%
Gearing ratio *(Note 1)*	24.3%	21.0%	7.9%	8.3%
Current ratio	1.3	1.3	1.6	1.7
Quick ratio	1.1	1.0	1.2	1.2
Return on equity	26.8%	22.0%	22.9%	16.9%
Return on assets	12.9%	10.8%	12.8%	9.8%
Net debt to equity ratio *(Note 2)*	8.8%	5.7%	Net cash	Net cash

Notes:

1. The gearing ratio is calculated by dividing total debt by the total equity as at the end of respective year/period and multiplied by 100%. Total debt is defined to include bank borrowings and amounts due to related parties which are in non-trade nature.

2. Net debt to equity ratio is calculated as net debts (i.e. total debt net of cash equivalents) divided by total equity and multiplied by 100%.

For more detailed discussion of the fluctuation of the above financial ratios, please refer to the section headed "Financial information — Key financial ratio" in this prospectus.

CONTINUING CONNECTED TRANSACTION

During the Track Record Period, our Group engaged Deqing Xinzhong Plastic Co., Ltd.* (德清新眾塑膠有限公司), Deqing Hongsheng Plastic Co., Ltd.* (德清宏升塑膠有限公司) and Deqing Yongsheng Plastic Product Factory* (德清永盛塑料製品廠) to take up part of the plastic injection moulding process to manufacture small and simple ancillary plastic components of our products for onward delivery to our Huzhou Production Plant for further assembling and processing to finished products. These plastic injection service providers are considered as connected persons of our Group. During the Track Record Period, we engaged trade agency, NSM, which is considered a connected person of our Group, in the United Kingdom to introduce potential customers to us and to keep us updated of the latest development about our customers in the United Kingdom market. For further details, please refer to the section headed "Continuing connected transactions" in this prospectus.

SHAREHOLDERS' INFORMATION

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be issued upon exercise of the Over-allotment Option), our Company will be owned as to 75% by Beautiful Homeland. As at the Latest Practicable Date, Beautiful Homeland was owned as to 70% by Mr. Zhu and 10% by each of Mr. Fang, Mr. Mao and Mr. Zhang, and is an investment-holding company and does not have any business operation. On 28 April 2020, in preparation for the Listing, among others, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang executed the Deed of Concert Parties, whereby they have confirmed their acting in concert arrangement in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over our Group until the Deed of Concert Parties is terminated by them in writing. Therefore, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, together through Beautiful Homeland, will be entitled to control 75% of the issued share capital of our Company immediately upon the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised). As such, Beautiful Homeland, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang will together form a group of Controlling Shareholders within the meaning of the Listing Rules.

GLOBAL OFFERING STATISTICS

Offer size	Initially 125,000,000 Shares, representing 25% of the enlarged number of Shares in issue (subject to the Over-allotment Option)
Offer structure	90% International Placing (subject to reallocation and the Over-allotment Option) and 10% Hong Kong Public Offering (subject to reallocation)
Over-allotment Option	Up to 15% of the initial number of our Offer Shares
Offer price	HK$1.0 to HK$1.2 for each Share

	Based on the low end of the indicative range of the Offer Price of HK$1.0	Based on the high end of the indicative range of the Offer Price of HK$1.2
Market capitalisation of our Shares(1)	HK$500,000,000	HK$600,000,000
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)	HK$0.67	HK$0.72

Notes:

1. All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of the market capitalisation is based on 500,000,000 Shares which are expected to be issued and outstanding following completion of the Capitalisation Issue and the Global Offering.

2. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after the adjustments referred to in Appendix II to this prospectus and based on 500,000,000 Shares, being Shares in issue immediately after the completion of the Capitalisation Issue and the Global Offering. It does not take into account of any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the directors of the Company to issue or repurchase Shares referred to in the sections headed "Share capital — General mandate to issue shares" and "Share capital — General mandate to repurchase Shares" in this prospectus, respectively.

Conditions imposed by the SFC pursuant to section 6(3)(b) of the Securities and Futures (Stock Market Listing) Rules

The SFC is imposing certain conditions to the Listing pursuant to section 6(3)(b) of the Securities and Futures (Stock Market Listing) Rules. For details, please refer to the section headed "Structure of the Global Offering — Conditions imposed by the SFC pursuant to section 6(3)(b) of the Securities and Futures (Stock Market Listing) Rules".

Conditions for our Company's Listing imposed by the Listing Committee of the Stock Exchange (the "Listing Committee"): -

The Listing Committee imposed the following two conditions to our Company's Listing: -

(i) our Company and the Sole Sponsor should provide the Listing Committee with concrete details of our Company's marketing plan, including our strategies for investor targeting, marketing, pricing and allocation. Where there is any subsequent departure from these strategies, our Company and the Sole Sponsor should provide explanations and address any further enquiries in this regard; and

(ii) our Company undertakes that it should report to its compliance advisor on the status of the use of proceeds on a monthly basis for 12 months following its Listing, and our Company and its compliance advisor should timely inform the Stock Exchange of deviations from the use of proceeds and/or underwriting commission and listing expenses as stated in this prospectus, and where appropriate, make announcements.

If our Company fails to fulfil the aforesaid condition (i) and undertake to comply with condition (ii), listing approval will not be granted to our Company. Hence, our Company may not obtain the listing approval for the Listing.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering, after deducting related underwriting fees and estimated expenses in connection with the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.1 per Share (being the mid-point of the indicative Offer Price range of HK$1.0 to HK$1.2), will be approximately HK$86.1 million (equivalent to approximately RMB75.5 million). Our Directors presently intend to apply such net proceeds as follows:

- approximately 55.0%, or approximately RMB41.5 million (equivalent to approximately HK$47.3 million), will be used to expand our production capacity by establishing the New Production Plant;

- approximately 7.9%, or approximately RMB6.0 million (equivalent to approximately HK$6.8 million), will be used to enhance the production efficiency of our Huzhou Production Plant;

- approximately 2.1%, or approximately RMB1.6 million (equivalent to approximately HK$1.8 million), will be used to develop an integrated smart manufacturing system;

- approximately 15.0%, or approximately RMB11.3 million (equivalent to approximately HK$12.9 million), will be used to expand and strengthen our sales and marketing team and sales channels in both overseas markets and the PRC market;

- approximately 10.0%, or approximately RMB7.6 million (equivalent to approximately HK$8.7 million), will be used to strengthen our design and development capabilities to enrich our product offering and diversify our product portfolio; and

- approximately 10.0%, or approximately RMB7.5 million (equivalent to approximately HK$8.6 million), will be used for general working capital purpose.

For further details, please refer to the section headed "Future plans and use of proceeds — Use of proceeds" in this prospectus.

DIVIDENDS

For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, an interim dividend of nil, RMB31.5 million, nil and nil, respectively, was declared and appropriated by Grand Resources to its then shareholders and the dividend of RMB31.5 million for the year ended 31 December 2019 was paid by crediting to current accounts with the then shareholders on 10 May 2019. The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospect, capital requirements, and economic outlook. Declaration and payment of dividends is also subject to any applicable laws and the Articles of Association. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Currently, our Group does not have a fixed dividend policy and does not have a predetermined dividend distribution ratio.

PRINCIPAL RISK FACTORS

There are a number of risks involved in our business and operations. They can be classified into (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to our operations in the PRC; (iv) risks relating to the Global Offering; and (v) risks relating to the statements in this prospectus. We believe our major risks include the following: (i) our Group relies significantly on export sales, and our sales are highly susceptible to any adverse economic, social or political conditions in the overseas markets; (ii) trade restrictions, trade barriers and potential new duties imposed by the United States or other destination countries for delivery of our products could materially and adversely affect our business, financial condition and results of operations; (iii) we have a concentration of customers during the Track Record Period and the loss of any one of our five largest customers could reduce our revenues and have a material adverse effect on our business, financial condition and results of operations; and (iv) our business operations and financial results may be adversely affected by the recent global outbreak of COVID-19. Further information on the risk factors is set out in the section headed "Risk factors" in this prospectus.

NON-COMPLIANCES

According to our PRC Legal Advisers, save for our breaches of PRC laws and regulations relating to (i) despatched staff, (ii) our failure to make adequate social insurance contributions and housing provident fund contributions for our employees as required by the relevant PRC laws and regulations; and (iii) our failure to update our foreign exchange registration with the relevant authorities before effectuating any funds transfer, details of which are set out in the paragraph headed "Business — Legal and compliance" in this prospectus, during the Track Record Period and up to the Latest Practicable Date, we had been in compliance with the relevant PRC laws and regulations in all material aspects in our business operation, and our Group had obtained all material licences, approvals and permits issued by relevant regulatory authorities for our business operation.

LISTING EXPENSES

The total estimated Listing expenses in connection with the Global Offering are approximately RMB45.2 million (equivalent to approximately HK$51.5 million), representing approximately 37.5% of the gross proceeds from the Global Offering, (based on the mid-point of the Offer Price of HK$1.1 per Offer Share and assuming no Over-allotment Option will be exercised), of which approximately RMB6.0 million (equivalent to approximately HK$6.8 million), approximately RMB7.7 million (equivalent to approximately HK$8.8 million) and approximately RMB1.2 million (equivalent to approximately HK$1.4 million) were charged to profit or loss for the years ended 31 December 2019 and 2020 and for the four months ended 30 April 2021, respectively, and an additional amount of approximately RMB11.1 million (equivalent to approximately HK$12.7 million) is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2021, and the remaining amount of approximately RMB19.2 million (equivalent to approximately HK$21.8 million) is expected to be accounted for as a deduction from equity upon the Listing.

RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

Subsequent to the Track Record Period and up to the Latest Practicable Date, there was no significant change in our business model and product types. To the best knowledge of our Directors, the industry in which our Group is operating remained relatively stable after the Track Record Period. As at the Latest Practicable Date, we have identified a parcel of land for our New Production Plant and we have progressed to the stage of submitting a written application in relation to our proposed acquisition of the land for setting up the New Production Plant. For further details, please refer to the section headed "Business — Our business strategies — 1. Expand our production capacity by establishing the New Production Plant" in this prospectus.

Up to the Latest Practicable Date, we had confirmed sales orders of approximately RMB296.5 million, which were delivered after the Track Record Period. Of those sales orders, approximately RMB145.6 million were completed from May to August 2021, and the confirmed sales orders of approximately RMB150.9 million are expected to be completed for the year ending 31 December 2021.

Our Directors consider that our financial results will be affected by the Listing expenses as we expect to recognise approximately RMB12.3 million (equivalent to approximately HK$14.1 million) in the consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2021. Accordingly, the financial performance for the year ending 31 December 2021 is expected to be adversely affected by (i) the estimated Listing expenses; and (ii) the expenses to be incurred after the Listing, such as Directors' fees and legal and professional fees. Save as the aforesaid, our Directors confirmed that after the Track Record Period and up to the date of this prospectus, (i) there was no material adverse change to our Group's operations; and (ii) there was no material adverse change to the trading and financial position or prospect of our Group.

Impact of the outbreak of COVID-19

Following the outbreak of COVID-19 in the PRC and globally, the major markets of our products such as the United States, the United Kingdom, Germany and Australia had been affected by the COVID-19 pandemic during the lockdown. However, none of our major customers in the countries affected by the COVID-19 pandemic has indicated to us that it will cancel any purchase orders placed on us due to COVID-19 pandemic. While we will continue to closely communicate with our customers, our Directors believe that our business relationships with our major customers will not be materially and adversely affected by the outbreak of COVID-19 pandemic. Our Directors believe that the impact of COVID-19 outbreak would not adversely and materially affect the demand for our products as they are necessary items for all households. Our overall revenue therefore increased by approximately 14.3% for the year ended 31 December 2020 as compared to that in 2019.

For further details, please refer to the paragraph headed "Business — Impact of the outbreak of COVID-19 — Impact of COVID-19 on our business and operations" in this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed "Glossary" in this prospectus.

"Accountant's Report"	the accountants' report of our Group set out in Appendix I to this prospectus
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company (as amended from time to time), conditionally adopted on 12 October 2021, which will become effective on the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"AUD"	Australian dollars, the lawful currency of Australia
"Australia"	Commonwealth of Australia
"Beautiful Homeland"	Beautiful Homeland Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 9 April 2019, one of our Controlling Shareholders
"BHP Housewares"	BHP Housewares Co., Limited, a company incorporated under the laws of Hong Kong with limited liability on 7 September 2007, an indirect wholly-owned subsidiary of our Company
"BHP Huzhou"	Better Home Products (Huzhou) Co., Ltd* (湖州貝特日用品貿易有限公司), a company established under the laws of the PRC on 19 August 2013 and deregistered on 9 June 2020
"BHP Linhai"	Better Home Products (Linhai) Co., Ltd* (臨海市百特日用品製造有限公司), a company established under the laws of the PRC on 23 June 2005, and was subsequently deregistered on 31 March 2014
"BHP UK"	Better Home Products (UK) Co Ltd, a company incorporated under the laws of the United Kingdom on 18 September 2009, an indirect wholly-owned subsidiary of our Company

"BHP Zhejiang"	Better Home Products (Zhejiang) Co., Ltd* (浙江貝特日用品有限公司), a company established under the laws of the PRC on 18 September 2008, an indirect wholly-owned subsidiary of our Company
"Board"	the board of Directors
"business day(s)"	any day(s) (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for business
"BVI"	British Virgin Islands
"CAGR"	compounded annual growth rate
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the paragraphs headed "A. Further information about our Group — 3. Written resolutions of our sole Shareholder passed on 12 October 2021" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant(s)"	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant(s)"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant(s)"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant(s)"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CCASS Phone System" or "CCASS Internet System"	a system via which an Investor Participant can operate its stock account

"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macao Special Administrative Region of the People's Republic of China and Taiwan
"CIC"	China Insights Industry Consultancy Limited, a market research and consulting company and an Independent Third Party
"CIC Report"	a report commissioned by us and independently prepared by CIC
"Companies Act" or "Cayman Companies Act"	the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company"	Better Home Group Holdings Co., Limited (貝特集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 21 May 2019
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the case of our Company, means Beautiful Homeland, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang
"COVID-19"	coronavirus disease 2019
"Deed of Concert Parties"	the deed of concert parties dated 28 April 2020 and executed by our Controlling Shareholders, particulars of which are set out in the paragraph headed "Relationship with our Controlling Shareholders — Controlling Shareholders" in this prospectus

"Deed of Indemnity"	the deed of indemnity dated 28 October 2021 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in the paragraphs headed "D. Other information — 1. Estate duty, tax and other indemnities" in Appendix V to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 28 October 2021 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in the paragraphs headed "Relationship with our Controlling Shareholders — Non-competition undertaking" in this prospectus
"Director(s)" or "our Directors"	the director(s) of our Company
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"EU"	the European Union
"Euro" or "EUR"	the lawful currency of the member states of EU
"Extreme Conditions"	any extreme conditions or events, the occurrence of which causes interruption to ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date
"**eWhite Form**"	the application of Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of the **eWhite Form** Service Provider at ***www.ewhiteform.com.hk***
"**eWhite Form** Service Provider"	the **eWhite Form** Service Provider designated by our Company as specified on the designated website at ***www.ewhiteform.com.hk***
"GBP" or "£"	the British Pound, the lawful currency of the United Kingdom
"Global Offering"	the Hong Kong Public Offering and the International Placing

"Grand Resources"	Grand Resources Industrial Limited, a company incorporated under the laws of Hong Kong with limited liability on 18 July 2001
"**GREEN** Application Form(s)"	the application form(s) to be completed by **eWhite Form** Service Provider
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and "we", "our" or "us" shall be construed accordingly
"Happy Hours"	Happy Hours Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 30 May 2019
"HK$" or "Hong Kong dollars"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Home Laundry"	The Home Laundry Company Ltd, a company incorporated under the laws of the United Kingdom on 2 February 2009
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 12,500,000 Shares initially offered for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong, as further described in the section headed "Structure and conditions of the Global Offering" in this prospectus

"Hong Kong Share Registrar"	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar and transfer office of our Company
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the paragraphs headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 29 October 2021 relating to the Hong Kong Public Offering and entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager and the Hong Kong Underwriters, as further described in the paragraphs headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering" in this prospectus
"Huzhou Production Plant"	refers to the owned production facility located in No. 378, Guangming Street, Fuxi Road, Deqing County, Huzhou City, Zhejiang Province, PRC* (中國浙江省湖州市德清縣阜溪街道光明街378號) and referred to the paragraphs headed "Business — Properties — Owned properties" in this prospectus
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, our subsidiaries or any of their respective associates
"International Placing"	the conditional placing of the International Placing Shares by the International Underwriters, as further described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"International Placing Shares"	the 112,500,000 Shares initially offered for subscription pursuant to the International Placing, subject to the Over-allotment Option and reallocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus

"International Underwriters"	the underwriters for the International Placing who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement expected to be entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters in respect of the International Placing, as further described in the paragraphs headed "Underwriting — The International Placing" in this prospectus
"Joint Bookrunners"	Giraffe Capital Limited, First Shanghai Securities Limited, Guotai Junan Securities (Hong Kong) Limited and Quasar Securities Co., Limited
"Joint Global Coordinators"	Giraffe Capital Limited, First Shanghai Securities Limited and Guotai Junan Securities (Hong Kong) Limited
"Joint Lead Managers"	Giraffe Capital Limited, First Shanghai Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Quasar Securities Co., Limited, Chuenman Securities Limited, FUTEC Financial Limited and Yuan Tong Global Securities Limited
"Latest Practicable Date"	20 October 2021, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"Legal Counsel"	Mr. Leung Wai-Keung, Richard, barrister-at-law in Hong Kong
"Listing"	listing of the Shares on the Main Board
"Listing Date"	the date expected to be on 12 November 2021, on which the Shares are listed and from which dealings therein are permitted to take place on the Main Board of the Stock Exchange

"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company (as amended from time to time), conditionally adopted on 12 October 2021, which will become effective on the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"MOFCOM"	the PRC Ministry of Commerce (中華人民共和國商務部)
"Mr. Fang"	Mr. Fang Gaisheng (方改生), one of our founders, an executive Director and one of our Controlling Shareholders
"Mr. Mao"	Mr. Mao Chungen (毛春根), one of our founders, an executive Director and one of our Controlling Shareholders
"Mr. Nicholson"	Mr. Robert Nicholson, a director of our indirect wholly-owned subsidiary, BHP UK, since its establishment and resigned on 1 September 2019
"Ms. Lou"	Ms. Lou Zhequn (楼哲群), the spouse of Mr. Zhu
"Mr. Zhang"	Mr. Zhang Wenzhi (張文志), one of our founders and one of our Controlling Shareholders
"Mr. Zhu"	Mr. Zhu Boming (朱伯明), one of our founders, an executive Director and chairman of the Board and one of our Controlling Shareholders, the spouse of Ms. Lou
"NSM"	NSM UK Limited, a company incorporated under the laws of the United Kingdom with limited liability on 19 November 2001, a connected person of our Group

"Offer Price"	the final offer price per Offer Share in Hong Kong (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) of not more than HK$1.2 and expected to be not less than HK$1.0 at which Hong Kong Offer Shares are to be issued pursuant to the Global Offering, to be subscribed, to be determined in the manner further described in the paragraphs headed "Structure and conditions of the Global Offering — Determination of the Offer Price" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares, collectively, and where relevant, together with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by and at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) pursuant to which our Company may be required to allot and issue up to 18,750,000 Shares at the Offer Price (representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocation in the International Placing, the details of which are described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"PRC government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	GuangDong Sun Law Firm, the legal advisers to our Company as to the PRC law
"Price Determination Agreement"	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price

"Price Determination Date"	the date expected to be on or around Friday, 5 November 2021 but no later than Tuesday, 9 November 2021, on which the Offer Price is fixed for the purposes of the Global Offering
"Reorganisation"	the corporate reorganisation of our Group prior to the issue of this prospectus, details of which are set out in the paragraphs headed "History, Reorganisation and corporate structure — Reorganisation" in this prospectus
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set out in the paragraphs headed "A. Further information about our Group — 3. Written resolutions of our sole Shareholder passed on 12 October 2021" in Appendix V to this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Roses All The Way"	Roses All The Way Investment Co., Limited, a company incorporated under the laws of the BVI with limited liability on 30 May 2019
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sole Sponsor" or "Giraffe Capital Limited"	Giraffe Capital Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

"Stabilising Manager"	First Shanghai Securities Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Beautiful Homeland and the Stabilising Manager (or its affiliates acting on its behalf) on or about the Price Determination Date as further described in "Structure and Conditions of the Global Offering — Stock Borrowing Agreement"
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Companies Ordinance
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tax Consultant"	Grant Thornton Tax Services Limited, an international auditing, tax and advisory company and an Independent Third Party
"Track Record Period"	the period comprises the three years ended 31 December 2020 and four months ended 30 April 2021
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"US dollars" or "US$" or "USD"	United States dollars, the lawful currency of the United States
"US Securities Act"	the US Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

"VAT"	value-added tax
"sq.m."	square metre(s)
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, in this prospectus:

- *all times refer to Hong Kong time and references to years in this prospectus are to calendar years;*
- *the terms "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction(s)", "continuing connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings ascribed to such terms in the Listing Rules;*
- *all data in this prospectus is as at the Latest Practicable Date;*
- *certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and*
- *all relevant information in this prospectus assumes no exercise of the Over-allotment Option.*

The English names of the PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, certificates and titles etc. mentioned in this prospectus, including those marked with "", are translations from their Chinese names and are for identification purpose only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.*

This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

"BSCI"	the Business Social Compliance Initiative, a leading supply chain management system that supports companies to drive social compliance and improvements within the factories and farms in their global supply chains. BSCI implements the principle international labour standards protecting workers' rights such as International Labour Organization conventions and declarations, the United Nations Guiding Principles on Business and Human Rights and guidelines for multinational enterprises of the Organisation for Economic Co-operation and Development
"ERP system"	acronym for enterprise resource planning system
"FOB"	free on board, which means the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards
"GDP"	gross domestic product
"IoT"	acronym for internet of things, which is the internet-marketing of physical devices, smart devices, and other items embedded with electronics, software, and network connectivity which enables these objects to collect and exchange data
"ISO"	acronym for the International Organization for Standardization, a non-governmental organisation having a central secretariat based in Geneva, Switzerland, which gives world-class specifications for products, services and systems to ensure quality, safety and efficiency

"ISO 14001"	an internationally recognised standard for an environmental management system. It helps organisation improve their environmental performance through more efficient use of resources, handling and treatment of waste and energy consumption
"ISO 9001"	an internationally recognised standard for, among others, assessing the effectiveness of an organisation's quality management system in meeting customer requirements. It prescribes, among others, requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
"MES system"	acronym for manufacturing execution system
"OBM"	acronym for original brand manufacturing, where a manufacturer develops and owns the design of a product which is marketed and sold under such manufacturer's own brand name
"ODM"	acronym for original design manufacturing, where a manufacturer designs and manufactures a product which is specified by the customer and eventually sold under the brand name of the customer or under no specific brand
"OEM"	acronym for original equipment manufacturing, where a manufacturer manufactures a product in accordance with the customer's design and specifications and is marketed and sold under the customer's brand name or under no specific brand
"OHSAS"	acronym for Occupational Health and Safety Assessment Specification, an international assessment specification for occupation health and safety management systems

"OHSAS 18001"	an internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
"polymer"	a large molecule composed of repeating structural units that are connected to one another through chemical bonds
"polypropylene" or "polypropylene resins"	a thermoplastic polymer that is resistant to many chemical solvents, bases and acids
"QAQC team"	the quality assurance and quality control team
"RFID system"	acronym for radio-frequency identification system

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management, as such they are by their nature subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the nature of, and potential for, future development of our business;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under these conditions;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- general economic conditions;
- our expectations with respect to our ability to acquire and maintain regulatory qualifications required to operate our business;
- our ability to control or reduce costs;
- future developments, trends and conditions in the industry and markets in which we operate;
- our future debt levels and capital needs;
- capital market development;
- our financial conditions and performance;
- our dividend policy; and
- certain factors set out in the sections headed "Industry overview", "Business" and "Financial information" in this prospectus.

The words "aim", "anticipate", "believe", "can", "consider", "continue", "could", "estimate", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "project", "potential", "predict", "seek", "should", "will", "would" and the negative forms of these words with similar expressions, as they relate to us, are intended to identify a number of these forward looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in the section headed "Risk factors" in this prospectus. One or more of these risks or uncertainties may materialise.

Subject to the requirements of applicable laws, rules and regulations, our Company does not have any obligation and does not undertake 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 our Company expects, or at all. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statement set out in this section.

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

Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

We believe that there are certain risks involved in our business and operations. These risks can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to our operations in the PRC; (iv) risks relating to the Global Offering; and (v) risks relating to the statement in this prospectus.

RISKS RELATING TO OUR BUSINESS

Our Group relies significantly on export sales and our sales are highly susceptible to any adverse economic, social or political conditions in the overseas markets

We export our products mainly to the United States, the United Kingdom, Germany, Australia and other countries such as Austria, Belgium and France, etc. We derive a significant portion of our revenue from overseas sales, which accounted for approximately 99.1%, 98.6%, 98.9% and 99.7% of our revenue for the years ended 31 December 2018, 2019, 2020 and four months ended 30 April 2021, respectively. Our Directors expect to continue to derive a majority of our revenue from these overseas markets. Our future prospects and success will therefore depend on the continued economic and social prosperity and political stability of these destination countries. Our overseas sales operations are therefore subject to certain inherent risks, including:

- exposure to local economic, political and labour conditions of these overseas countries;

- changes in government policies that are applicable to us or our products, laws, regulations, trade, monetary or fiscal policy;

- tariffs, quotas, customs and other import or export restrictions and other trade barriers, trade sanctions or anti-dumping measures;

- compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations; and

- the emergence of new entrants with stronger industry recognition, financial resources and governments support in these countries.

Our export sales operations may be further adversely affected by natural disasters, acts of war, political instabilities, domestic or international terrorist attacks and hostilities or other complications that may happen in these destination countries. These uncertainties could have a material adverse effect on the continuity of our business, results of operations and financial condition.

Moreover, we need to comply with all laws and regulations applicable to us and relevant to our overseas sales in the destination countries to which we sell our products by completing necessary procedures to obtain all relevant safety approvals, certifications, registrations or any other required documentations from the relevant government authorities. In this connection, our customers are also responsible for complying with other aspects of the relevant foreign imports laws and regulations. As such, we cannot assure you that our customers are in compliance with all aspects of foreign laws and regulations relevant to our overseas sales. If we or our customers to whom we sell our products fail to satisfy the relevant standards adopted by the destination countries, our products will be returned and we may also face regulatory actions or claims for significant damages, which would have a material adverse effect on our business, operating results and financial position.

Trade restrictions, trade barriers and potential new duties imposed by the United States or other destination countries for delivery of our products could materially and adversely affect our business, financial condition and results of operations

During the Track Record Period, a significant portion of our revenue was derived from the sale of our products to the United States as shipment destination, while all of our products are manufactured in the PRC. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, sales of our products to the United States as the destination for delivery amounted to approximately RMB147.5 million, RMB149.6 million, RMB178.1 million and RMB34.0 million, respectively, which accounted for approximately 44.9%, 44.4%, 46.3% and 26.9% of our total revenue for the corresponding years and period, respectively. Hence, any trade restrictions, trade barriers such as anti-dumping duties, new duties, tariffs or quota fees imposed by the United States, and the escalation of China-United States trade war involving our products could significantly increase the prices of our products in the United States. Changes to trade policies, treaties and tariffs in the United States and other destination countries for delivery of our products, or the perception that these changes would occur, could also adversely affect the financial and economic conditions there, as well as our financial condition and results of operations.

The United States has advocated greater restrictions on trade generally and significantly increased duties on goods imported into the United States, particularly the goods from the PRC. As advised by our Legal Advisers as to United States laws, nearly all our Group's products sold to the United States appear to be subject to an additional duty of 7.5% or 25%.

Any trade restrictions imposed by the United States on household necessity products made in the PRC may significantly increase our United States customers' purchase costs, and our customers with shipment destinations to the United States may look for alternative suppliers who manufacture products in countries other than the PRC in order to avoid any increase in cost. This would have direct impact on the sales of our products for delivery to the United States.

If we are not able to pass additional costs incurred due to the increase in duties on to our customers in the United States, our sales margins could be adversely affected, which could adversely affect our financial position, business or results of operations. There is no assurance if any retaliatory actions may not be taken by the United States or the PRC in response to the increased duties by both countries.

The uncertainty on the trade restrictions and trade policies resulting from the China-United States trade war may cause difficulties for our customers to project their purchasing plans and may cause them to reduce their orders placed with us, and as such, our financial position, business and results of operations could be materially and adversely affected.

In addition, the United States or other destination countries of our products may introduce more favourable trade policies to countries other than the PRC, such as Vietnam and the Philippines; and as a result, our competitors located in these countries may offer terms more favourable than ours to our customers, causing our customers to shift their purchases from us to our competitors in these countries. If this happens, it would have a material adverse effect on the continuing of our business, results of operations and financial conditions. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

We have a concentration of customers during the Track Record Period and the loss of any one of our five largest customers could affect our revenues and have a material adverse effect on our business, financial condition and results of operations

Sales to our five largest customers accounted for approximately 77.9%, 76.9%, 80.5% and 72.9% of our total revenue for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, respectively, of which Bradshaw Group, being our largest customer, accounted for approximately 42.2%, 41.4%, 41.8% and 26.0% of our total revenue for the same periods, respectively. Our sales to Bradshaw Group is generally higher in the second half of a year as the demand for household cleaning tools in the United States is generally driven by (i) festive seasons such as Thanksgiving Day and Christmas, and (ii) home cleanings before New Year's Eve. If Bradshaw Group does not place sufficient purchase orders on us in the second half of a year and we cannot solicit similar amount of purchase orders from other major customers on time, our business, financial condition and results of operation for the whole year would be adversely affected.

There is no guarantee that we will be able to obtain recurring orders from our customers in a timely manner. We have not entered into any long-term legally-binding written agreements with our major customers and they are not bound by any exclusivity terms nor obliged to fulfil any minimum purchasing requirements with us. Accordingly, we cannot assure you that our major customers will continue to place purchase orders with us at existing volume or pricing level, or at all. We cannot assure you that we will be able to maintain stable relationships with our major customers. Any substantial reduction in the purchase of our products or termination, change or deterioration in our relationship with our major customers may cause a significant adverse effect to our business. As such, should there be any adverse development related to our customers' operations or any other reasons resulting in any deterioration or termination of our business relationship with our customers, our business, financial condition, operating results and prospects could be materially and adversely affected.

Our business operations and financial results may be adversely affected by the recent global outbreak of COVID-19

The global widespread of COVID-19 and the emergence of variants have posed a serious public health threat in the PRC and the destination countries of our products. In January 2020, the PRC government announced a series of draconian measures to prevent the spread of COVID-19. As a result, the operation of both our Huzhou Production Plant and our suppliers in the PRC were subject to temporary suspension after the Chinese New Year holidays in 2020 until 10 February 2020. Though our Group and our suppliers had gradually resumed operation amid reduction in the number of reported case of COVID-19 in the PRC, the extent to which the COVID-19 outbreak may impact our production and the supply chain of raw materials to us will depend on future developments, which is highly uncertain and unpredictable. In addition, if any of our employees is suspected of infected by COVID-19, the operation of our Huzhou Production Plant will be suspended for disinfection and our employees be in quarantine. If this happens, we may not be able to fulfil our contractual obligations to manufacture and deliver products to our customers on time, which may result in loss of our contracts with them or we may be liable to pay damages or compensation to our customers for their loss suffered due to our delay or default.

Furthermore, with COVID-19 and the Delta variant or other variants spreading globally, there is no assurance that our major customers located in countries with reported cases of COVID-19 including the United States, the United Kingdom, Germany, Australia and other European countries would be able to (a) maintain their normal business operation without significant disruptions; and/or (b) engage us to manufacture their household necessity products on an OEM or ODM basis as usual in the event that restrictions on freight logistics or transportation bans are imposed, and there is no guarantee that we would be able to secure purchase orders from these customers with volume similar to that before. In consequence, we may suffer loss or reduction of purchase orders from our customers and thus, our operations and financial performance would be adversely affected.

Despite the recent administration and use of vaccines for preventing COVID-19 infections, their efficacy may vary among individuals and thus the effect of the vaccines on the global economy remains uncertain. Hence, the operation and financial performance of our customers may be adversely affected; or our customers may default our payments or take longer time for them to settle our payments. In such event, we may incur significant impairment loss for the outstanding payments owed to us by our customers. These adverse impacts, if materialise and persist for a substantial period, may significantly and adversely affect our business operation and financial performance.

We may not be able to respond in an effective and timely manner to product safety standards and certification requirements

Certain of our products have to meet pre-requisite safety standards and/or requirements pursuant to certain certifications before the same are allowed to be imported to their destination countries or sold in the domestic markets. For details, please refer to the section headed "Regulatory overview" in this prospectus. The safety standards and certification requirements of different destination countries of our products are subject to changes by the relevant government and relevant certification organisation/institution and more stringent requirements may be imposed to enhance product safety. As such, it is important that we keep abreast of such possible changes and adjust our technical capability in advance. If we fail to respond to such changes in an effective and timely manner, we may not be able to secure our businesses under the new requirements and we will lose our existing customers, and this in turn will adversely affect our operations and financial results.

Brexit may have adverse consequences for our business, financial condition, operating results and our ability to implement our growth strategies

On 23 June 2016, the United Kingdom held a referendum pursuant to which the United Kingdom electorate voted in favour of its withdrawal from the EU ("**Referendum**"). The United Kingdom has ceased to be a member of the EU with effect from 31 January 2020 ("**Brexit**"), but remained subject to its laws and regulations during the transitional period which expired on 31 December 2020. Prior to the end of the transitional period, on 24 December 2020, the United Kingdom and the EU had reached an agreement, namely the EU-UK Trade and Cooperation Agreement (the "**TCA**"), determining the terms of the United Kingdom's relationship with the EU.

The terms of the TCA, as well as the relationship between the United Kingdom and the EU following the United Kingdom's withdrawal, may have significant impact on our business, particularly with respect to the sales of our products in the European countries such as the United Kingdom and Germany, and on our ability to grow our international sales network. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, the sales of our products delivered to the United Kingdom amounted to approximately RMB62.1 million, RMB60.5 million, RMB61.6 million and RMB26.3 million, respectively, representing approximately 18.9%, 18.0%, 16.0% and 20.8% of our total revenue, respectively, for the corresponding years and period. The uncertainty of the United Kingdom economy, its relationship with the EU and its member states, together with the fluctuation of currency exchange rate after Brexit and the signing of TCA may result in negative impacts on our sales delivered to the United Kingdom and also our financial results. In the event that our sales delivered to the United Kingdom and other European countries are being affected following Brexit, it may take time for us to recover if we lose such businesses and we may incur additional cost to maintain our sales of products delivered to Europe. The nature of the arrangements that will be put in place to define the relationship between the United Kingdom and the EU following Brexit and the signing of the TCA, and the consequential impact of which on our business, operating results and financial condition remain highly uncertain. Equity and currency markets may become volatile as a result of Brexit. It cannot be ruled out that other EU countries will not follow the United Kingdom's example. There can be no assurances as to how Brexit and the signing of TCA may affect the general economic, financial and political conditions in the United Kingdom, Europe or globally, nor the impact such conditions may have on factors that affect our business, operating results and financial condition.

Our Group relies heavily on our Huzhou Production Plant and any major disruption of which may adversely affect our business performance, financial results and profitability

Our production activities took place at our Huzhou Production Plant during the Track Record Period and thus, our production is highly dependent on the uninterrupted operation of our production facilities. Therefore, any major disruptions at any of our production processes in our Huzhou Production Plant such as machinery breakdowns, failure in our information technology system, or uncertainties and contingencies beyond our control may substantially lower our production volume or weaken our production efficiency or capability, which may in turn limit our production capacity or affect our production schedule or affect our products in strict accordance with customers' specifications. Any substantial delay in delivery of products, or material failure to produce our product as per customers' requests may attract potential claim from our customers. In the event that our Group is unable to react promptly and adequately in case of any major disruption to our production process, or to carry out urgent repair in the case of machinery breakdowns, industrial accidents, fires, floods, droughts, natural disasters or other catastrophes, we would suffer from material business interruption. Furthermore, any such disruptions may require us to incur significant capital expenses to repair or replace malfunctioned parts and components, or in the more serious case of breakdown, replace the entire production machinery and equipment. In the occurrence of such an event, our business performance, financial results and profitability would be materially and adversely impacted. It may also adversely affect our business relationship with our customers and materially damage our reputation in the market, and adversely affect our market position.

Our production plant may experience shortage of electricity.

Our production processes require adequate and stable supply of electricity. Considering that there has been a significant increase in demand for electricity supply in the PRC in recent years, to conserve fuel stocks and reduce energy intensity, various provinces, including Zhejiang province where our production plant is based, have implemented power rationing measures and power outages in various industry sectors. Although our Huzhou Production Plant is allowed to continue its operation without being subject to any power outage as at the Latest Practicable Date and our Huzhou Production Plant has its own power system to generate power supply for maintaining its daily operation on a contingency basis, we cannot assure you that we would not be subject to any power outages in the future. Nor can we assure you that our own power system can generate sufficient power to support our production process in the long run. If we are to be subject to power outages or there is prolonged power shortage in the future and our power system does not have sufficient capacity to support our production in the long run, our production will be inevitably disrupted. Our business, financial conditions and results of operation will therefore be adversely and materially affected.

Increases in prices or any unstable supply of the raw materials we use in production of our products may have a negative effect on our business

The principal raw materials used by our Group include polypropylene resins and steel. Our raw material costs accounted for approximately 66.9%, 65.1%, 67.5% and 61.7% of our total cost of sales for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, respectively. Thus, our financial results greatly depend on our ability to source quality raw materials at competitive prices. We have not entered into any long-term agreements with any of our current raw material suppliers nor have we entered into any hedging arrangements to reduce our exposure to fluctuations in raw material costs. In particular, depending on the world economy and the market supply and demand conditions, the prices of our raw materials may fluctuate and are influenced by the price trends of crude oil, natural gas and iron ore, which can be highly volatile. For further details, please refer to the paragraph headed "Industry overview — Cost analysis of China's drying racks and household cleaning tool manufacturing market — Price of major raw materials". We cannot guarantee that we will be able to pass the increase in raw material costs to our customers on a timely basis to avoid unfavourable impacts on our financial results. Our financial results may be materially and adversely affected by the volatility in these costs. Although our Directors consider that our Group has not previously experienced any material shortage in the supply of raw materials, should there be any shortage in the raw materials, the supply of our products and financial performance of our Group may be adversely affected.

We are susceptible to the shortage of labour supply at reasonable cost

Our production relies on a stable supply of labour at reasonable cost. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, our direct labour cost, as part of the cost of sales, amounted to approximately RMB37.8 million, RMB43.2 million, RMB46.4 million and RMB17.8 million, respectively, representing approximately 15.9%, 17.8%, 17.2% and 19.5% of our total cost of sales, respectively. According to the CIC Report, the average annual salary per worker engaging in the manufacturing industry in the PRC is estimated to increase from approximately RMB79,100 in 2021 to RMB106,100 in 2025, representing a CAGR of approximately 7.6%. We cannot guarantee that the supply of labour will remain at a reasonable cost, especially in the PRC, with the increasing minimum wage imposed by the relevant authorities. Moreover, as demand for skilled workers in the labour market is intensifying, we may need to provide a more competitive remuneration package and welfare to our employees in order to retain and recruit staff. We may not be able to manufacture and deliver our products on schedule to meet customers' demands and implement our expansion plans if we fail to retain our existing labour and/or recruit and train a sufficient number of workers promptly. Moreover, a significant increase in our labour costs could materially and adversely affect our financial results.

We may experience a decline in our overall gross profit margin as a result of changes in our product mix

The composition of our product sales mix will affect our overall gross profit margin because the gross profit margins of our products vary by product and from period to period. Our product mix varies depending on and subject to various factors including our production capacity, technology and skills, preferences of end-consumers and reception of the products. Different products have different gross profit margins, which are affected by reasons such as material costs, production costs, product prices and our marketing and branding strategy. We cannot assure you that we will be able to continue to expand our product mix, widen our customer base and maintain similar or better overall gross profit margins. Any changes in the types of products we offer will affect our overall gross profit margin and operating results. If the proportion of lower-margin products in our Group's product sales mix increases either as a result of changes in the products ordered by our customers or changes in our customer base, we may experience a decline in our overall gross profit margin and such decline will adversely impact our financial condition and operating results.

Our business expansion plan may not be successfully implemented or achieve the intended economic results or business objectives

Our future success depends to a certain extent on our ability to expand our production capacity. In this connection, we plan to allocate approximately 55% and 7.9% of the net proceeds of the Global Offering to expand our production by establishing the New Production Plant and to enhance the production efficiency of our Huzhou Production Plant, respectively. We are currently contemplating of expanding our existing production facilities and we plan to construct a new production plant in proximity to our Huzhou Production Plant, in order to cater for the anticipated growing demand for our products. Going forward, we plan to further increase our production capacity by acquiring additional machines and equipment for our existing Huzhou Production Plant. Our expansion plans may involve the following risks: (i) our actual production volume is affected by the demand and purchase orders for our products, which in turn may be affected by market trends, customers' preferences or other factors which are beyond our control; (ii) the demand for our products and revenue to be generated from the sale of our products may not increase in line with the increase in our production capacity; (iii) the direct labour costs, costs for raw materials and depreciation expenses to be incurred; and (iv) the entire expansion plan as set out in the paragraphs headed "Business — Our business strategies" in this prospectus fails to be implemented in full. Our expansion plans could also be adversely affected by factors such as lack of suitable personnel, unexpected technical problems, natural disasters, inability to obtain the required governmental approvals, problems encountered in the construction of production facilities, any unforeseen legal or regulatory impediments imposed by the PRC government and other factors beyond our control, such as the general market conditions, the economic and political environment of the PRC and the world. There is no assurance that our business plans will materialise in accordance with the implementation plan as set out in the section headed "Future plans and use of proceeds" in this prospectus, or at all, or that our business strategies will be fully or partially accomplished. In the event that we fail to accomplish our business plans or to do so in a timely manner, we may not be able to achieve our planned future business growth and our operating results may be materially and adversely affected. Furthermore, our future business plans may result in significant capital expenditures, which may or may not be recoverable, or may or may not bring in a positive result to our revenue. Our business, operating results and financial position may be materially and adversely affected if our business objectives are not achieved.

Our profitability could be adversely impacted if we are unable to sustain high utilisation rate of our production machinery and equipment for our key products

Our ability to maintain our profitability depends on our ability to sustain high utilisation rate of our machinery and equipment for our products. During the Track Record Period, the utilisation rates of our plastic injection machines for laundry products and household cleaning tools ranged from 91.0% to 99.1%. We aim to expand our production capacity by constructing a new production plant in Huzhou Province, the PRC and purchasing new automated plastic injection machines and automated robotic arms to complement our operation in the Huzhou Production Plant. There is a risk that the demand for our laundry products and household cleaning tools fails to grow in the future such that we fail to achieve satisfactory utilisation rate of our old and new machinery and equipment. The level of our capacity utilisation can have material impact on our operating results. Higher capacity utilisation allows us to spread more our fixed costs, resulting in a higher gross profit margin of our products. If we are unable to continuously maintain high capacity utilisation, our gross profit margin would decline which would affect our profitability and operating results.

We are subject to risks related to our engagement of third-party plastic injection service providers

During the Track Record Period, our Group engaged Deqing Xinzhong Plastic Co., Ltd.* (德清新眾塑膠有限公司) ("**Deqing Xinzhong**"), Deqing Hongsheng Plastic Co., Ltd.* (德清宏升塑膠有限公司) ("**Deqing Hongsheng**") and Deqing Yongsheng Plastic Product Factory* (德清永盛塑料製品廠) ("**Deqing Yongsheng**", together with Deqing Xinzhong and Deqing Hongsheng, the "**Plastic Injection Service Providers**") to carry out plastic injection moulding process for part of our products when our plastic injection machines were running close to their full utilisation. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, the total processing fees paid to these Plastic Injection Service Providers amounted to approximately RMB12.8 million, RMB14.5 million, RMB15.9 million and RMB8.0 million, representing approximately 5.4%, 6.0%, 5.9% and 8.8% of our total cost of sales, respectively. For further details, please refer to the section headed "Business — Our suppliers — Plastic injection service providers" of this prospectus.

There is no guarantee that the Plastic Injection Service Providers will always provide plastic injection moulding services to us in accordance with our specifications or on schedule or at the fees acceptable to us. There is also no assurance that the quality of the plastic components produced by the Plastic Injection Service Providers can always meet our Group's requirements, which could in turn affect the quality of our products. If any of the Plastic Injection Service Providers provides plastic components of inferior quality and our Group could not identify suitable third-party service providers as replacement in a timely manner, the operations and profitability of our Group would be adversely affected.

Our existing insurance coverage may not provide our Group with adequate protection against these risks

We maintain insurances covering our properties, including our property, plant machines and equipment. Nevertheless, we and/or our officers (as the case may be) may be exposed to claims in respect of matters that are not covered by the insurance policies we maintained. In addition, as to the insurance policies we maintained, there may be circumstances (such as fraud, gross negligence, natural disasters and acts of God) in which certain loss and claims would not be covered adequately, or at all.

Our Group cannot guarantee that it will be successful in making an insurance claim under the insurance policies maintained by it or that the claimed proceeds will be sufficient to compensate the actual damages suffered or at all. Any of these events could adversely affect our business operation and financial condition and may harm our reputation, leading to litigation, government fines or penalties.

Product liability claims may be brought against us and may materially and adversely harm our business, financial position and reputation

We face an inherent business risk of exposure to product liability claims if the use of any of our products results in personal injury or property damage. For further information on the relevant regulatory requirements, please see the section headed "Regulatory overview" in this prospectus. In the event that any of our products is alleged or found to be defective, we may be subject to product liability claims. If such claim succeeds, we may consequently be required to replace, recall, redesign or even discontinue those products. Thus, the quality of our products is critical to the success of our business and depends significantly on the effectiveness of our quality control system. Despite having a quality control system that has been accredited with ISO9001 Quality Management System since 2015, there could be instances in which our products do not meet the specifications and requirements agreed upon with or requested by our customers, or our products could be found to be defective, or result in our customers suffering losses. In such cases, we may be subject to product liability claims and litigation for compensation which could result in substantial and unexpected expenditure and could materially and adversely affect our cash flow and financial results. Moreover, product failures or defects, and any complaints or negative publicity, could adversely affect our customer relationships and our goodwill and result in a decrease in sales of our Group. We may also be subject to increased scrutiny by regulatory authorities over our business operations. Even if a product defect was attributable to raw materials supplied by our suppliers, we cannot guarantee that we would be able to recover all or part of the damages by claiming against our suppliers.

There is no assurance that we would not be named as a defendant in a lawsuit or proceedings brought by end-consumers in respect of liability in the future. A successful claim against us in respect of our products or a material recall of our products may result in (i) legal costs incurred in connection with such claim or other adverse allegations or rectifying such defects; (ii) deterioration of our brand and corporate image; and (iii) material adverse effect on our sales, operating results and financial condition.

Our management's attention and internal resources may be significantly diverted to the handling of such disputes, litigations and other legal proceedings, which can be both costly and time consuming. Regardless of the merits of the case, these disputes may damage our relationship with the relevant customers, suppliers or workers, which may affect our reputation in the household necessity product manufacturing industry, and thus adversely affect our business operations, financial results and profitability.

We had negative operating cash flow for the four months ended 30 April 2021

We had negative cash flow from operating activities of approximately RMB0.1 million for the four months ended 30 April 2021. Although we seek to manage our working capital, we cannot assure you that we will be able to match the timing and amounts of our cash inflows with the timing and amounts of our payment obligations and other cash outflows. As a result, there could be a period during which we experience net cash outflow.

During the Track Record Period, we mainly relied on cash generated from our operation to finance our business. Please refer to the section headed "Financial information — Liquidity and capital resources" of this prospectus. Negative operating cash flow requires our Group to obtain sufficient external financing to meet out financing needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to expand our business. Thus, our business, financial position and results of operations may be materially adversely affected.

We may face credit risks due to our business arrangements with our customers. Any significant delay in payment or defaults by our customers may materially and adversely affect our financial condition and results of operations

We are subject to the credit risks of our customers and our profitability and cash flow are dependent on timely settlement of payments by our customers for the products we provide to them. A majority of our customers settled the amount payable to us by telegraphic transfers and we, generally, offer a credit term of not more than 100 days to them. Our average trade receivables turnover days were approximately 67 days, 70 days, 67 days and 76 days as at 31 December 2018, 2019 and 2020 and 30 April 2021, respectively. Our gross carrying amount of trade receivables amounted to approximately RMB67.3 million, RMB61.0 million, RMB79.8 million and RMB79.9

million as at 31 December 2018, 2019 and 2020 and 30 April 2021, respectively. As at 31 December 2018, 2019 and 2020 and 30 April 2021, the gross carrying amount of trade receivables that were past due amounted to RMB19.0 million, RMB5.2 million, RMB6.2 million and RMB17.2 million, respectively.

We cannot assure you that we will be able to collect all or any of these trade receivables within the credit period that we granted to our customers. If any of our customers face unexpected situations, including but not limited to, financial difficulties caused by general economic downturn or fiscal constraints, we may not be able to receive payment of uncollected debts in full, or at all, from such customers and may need to make provisions for trade receivables, which could in turn materially and adversely affect our financial condition and results of operations.

We rely on key management personnel

Our success and growth are, to a large extent, attributable to the continued commitment of our executive Directors and our senior management team and our capability to identify, hire, retain suitable and qualified employees, including management personnel with the necessary industry expertise as described in the section headed "Directors and senior management" in this prospectus. Our Directors and members of our senior management, in particular, our executive Directors, are important to us as they have extensive experience and business connections in the household necessity product manufacturing industry as well as the business environment, regulatory regime and certification requirements of our operation in the PRC. Any unanticipated departure of our Directors and/or our senior management team without appropriate replacement may have a material adverse impact on our business operations and profitability.

We cannot assure you that we will be able to hire additional qualified employees to strengthen our management team or integrate new employees into our existing operations in order to keep pace with the proposed growth of our business. Furthermore, competitors may also seek to poach our personnel. Competition for experienced individuals is fierce in the regions we operate in, and we may not be able to attract or retain suitably qualified personnel. Our failure to attract and retain additional qualified personnel may hinder our ability to grow our business, which could materially and adversely affect our business, financial condition and operating results.

Our historical results may not be indicative of our future growth rate, revenue and profit margin

Given that the transactions with our customers are completed on a deal by deal basis, and that our fees and profit margins in respect of the relevant transactions are dependent on a number of factors and inherent risks in the industry, there is no assurance that we will always be able to maintain similar levels of profitability as those during the Track Record Period. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, our revenue was approximately RMB328.7 million, RMB336.6 million, RMB384.7 million and RMB126.2 million, respectively. For the same years and period, our net profit was approximately RMB41.0 million, RMB34.1 million, RMB46.3 million and RMB11.9 million, respectively. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, our gross profit was approximately RMB91.0 million, RMB94.4 million, RMB114.3 million and RMB34.8 million, respectively, whereas our gross profit margin for the same years and period was approximately 27.7%, 28.1%, 29.7% and 27.6%, respectively. For discussion of our results of operation, please refer to the paragraphs headed "Financial information — Period to period comparison of results of operations" in this prospectus. Such trends of the historical financial information of our Group are only analysis of our past performance. They do not have any positive implication, nor would they necessarily reflect our financial performance in the future, which will largely depend on our capability to secure new contracts and control our costs and expenditures and project implementation. Profit margins and income of our Group's products may fluctuate from project to project, and the historical revenue derived from our products may not be indicative of our future revenue or profitability. Prospective investors should be aware of the risk of our Group's failure to secure future sales volume when considering our Group's financial results.

The inherent risk of using such historical financial information of us to project or estimate our financial performance in the future, is that they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including but not limited to, our Group's ability to devise cost saving production processes, which are acceptable by our customers.

We cannot assure you that we will be able to achieve the same performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

We may not be able to continue to obtain government grants, which are non-recurring in nature

For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, we received government grants of approximately RMB1.7 million, RMB2.5 million, RMB3.4 million and RMB0.3 million, respectively, which were recognised as our other income. Government grants are recognised where there is reasonable assurance that our Group will comply with the conditions attaching to them and that the grant will be received. The government grants we received during the Track Record Period primarily represented subsidies from local PRC governments mainly for the purposes of (i) providing incentives for research and development activities; and (ii) providing business support and are generally one-off in nature. Moreover, since there can be unexpected changes in the laws, regulations and governmental policies of the PRC, we face uncertainty relating to the availability of government grants and we cannot guarantee that we will record such income of similar amount, or at all, in the future. Any eliminations or alterations to any of the incentives provided to us by the PRC government would have an adverse effect on our financial performance and results of our operations.

We are exposed to fair value changes for financial instruments and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain

During the Track Record Period, we invested in unlisted equity and unlisted wealth management products and the fair value of such unlisted financial products that are not traded in an active market is determined using valuation techniques, which require judgement and assumptions and involve the use of unobservable inputs, such as the expected yield of the underlying investment portfolio and discount rate. We use our judgement to make assumptions that are mainly based on the then prevailing market conditions at the end of each reporting period. For further details, please refer to note 33.7 "Fair value measurements of financial instruments" to the Accountants' Report set out in Appendix I to this prospectus. Changes in these assumptions and estimates could materially affect the fair value of these unlisted financial products. Factors beyond our control, including but not limited to, general economic conditions, changes in market interest rates and stability of the capital markets, can significantly influence and cause adverse changes to the estimates we use, and thereby affect the fair value. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, we recorded a gain/(loss) of approximately RMB0.3 million, RMB0.4 million, RMB1.1 million and RMB(0.3) million from our financial instruments, respectively.

The valuation techniques that we use may involve a significant degree of management judgement and are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

The fair value measurement of our derivative financial instruments is subject to uncertainties and risks and the fair value changes of such derivative financial instruments may materially and adversely affect our results of operations

As part of our foreign risk management measures, our Group has entered into certain foreign exchange contracts. We monitor the market value and financial performance of each investment, and analyse the market trends of interest rate and exchange rate fluctuation. However, if our forecasts do not conform to actual changes in market conditions, our trading activities may not achieve the investment returns we anticipate, and we would suffer material losses, any of which could materially and adversely affect our business, financial condition and results of operations.

We may fail to adequately protect our intellectual property rights

Our principal intellectual property rights cover our proprietary technology, product designs and technical know-how, our patents and trademarks. We are susceptible to infringement by third parties of our intellectual property rights and there is no assurance that third parties will not copy or otherwise obtain and use our intellectual property rights without authorisation. We have obtained patents for some of our proprietary technology and registered several of our trademarks. However, it is not possible for us to comply with, and seek every clearance under, the relevant laws of all possible jurisdictions for the protection and enforceability of our intellectual property rights, and there is no assurance that such registrations can completely protect us against any infringements or challenges by our competitors or other third parties. When necessary, we may have to expend a significant amount of financial resources to assert, safeguard and/or maintain our intellectual property rights. In the event that our intellectual property rights cannot be enforced against an infringement by our competitors or other third parties, our business, financial condition and operating results could be adversely affected.

Third parties may claim that we are infringing their intellectual property rights, and we could suffer significant litigation expenses or licensing expenses or be prevented from selling certain of our products if these claims are successful

During the Track Record Period, we predominantly produced products on an OEM or ODM basis in accordance with the specifications provided by our customers and are unable to assure that all such specifications do not infringe any third parties' intellectual property rights.

In addition, we cannot rule out the possibility of third parties claiming that we are infringing or contributing to the infringement of their intellectual property rights. We may be required to obtain licences for such patents. If we need to do so, we could be required to pay royalties on certain products of ours. There is no assurance that if we are required to obtain patent licences to develop and sell our products, we will be able to obtain such patent licences on commercially reasonable terms. Our inability to obtain these patent licences on commercially reasonable terms could have a material adverse impact on our business, operating results, financial condition or prospects.

Any litigation regarding patents or other intellectual property rights could be costly and time consuming and could divert our management and key personnel from our business operations. In addition, any intellectual property litigation involves significant risks. If there is a successful claim of intellectual property rights infringement against us, we might be required to pay substantial damages to the party claiming infringement, refrain from further sale of our products, develop non-infringing technology or enter into costly licensing agreements on an on-going basis.

However, we may not be able to obtain royalties or licensing agreements on terms acceptable to us or at all. Any intellectual property litigation or successful claim could have a material adverse effect on our business, operating results, financial condition or prospects.

Our future investments may not be successful, and such failure may affect our competitive position, results of operations and financial conditions

We evaluate business opportunities and investments, which may benefit our business from time to time, and we expect that we may make such investments in the future. If we identify appropriate opportunities, we may invest in businesses or assets that are strategically important to our business or form alliances with significant players in the industry to further expand our business. However, we may not be successful in identifying suitable opportunities or completing such transactions. Our ability to make investments may be restricted by, or subject to, various approvals or may not otherwise be possible or may require us to seek additional financing. Completed investments may also expose us to additional potential risks, including risks associated with unforeseen or hidden liabilities, and the diversion of resources from our existing business. Any of these factors may have an adverse effect on our business, results of operations, financial condition.

We are exposed to foreign currency fluctuations as a result of our substantial global operations, which may adversely affect our business, financial condition and results of operations

The vast majority of our sales are denominated in US$ and our purchases and labour costs are predominantly denominated in RMB. As such, we are subject to foreign exchange risks and our profits may be adversely affected should RMB appreciate against US$.

Our reporting currency is RMB. When we prepare our consolidated financial statements, sales made in foreign currencies are converted into RMB at average exchange rates of the relevant financial years whereas foreign currency balance sheets are translated into RMB at the rates as at the balance sheet date. Accordingly, the profits we derived in foreign currencies would be lower should there be any appreciation in the exchange rates of RMB against the respective currencies. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, we recorded a net foreign exchange gain/(loss) of RMB4.8 million, RMB1.7 million, RMB(7.9) million and RMB(1.5) million, respectively. Fluctuations in foreign exchange rates may also affect our customers' purchasing power and their willingness to purchase our products. Our business, financial condition and results of operations could be negatively affected by fluctuations in exchange rates.

Our operations may be subject to transfer pricing adjustments by competent authorities

During the Track Record Period, we produced our products through BHP Zhejiang. When BHP UK or BHP Housewares received a purchase order, it would directly place a corresponding purchase order to BHP Zhejiang for production. Finished goods were sold by BHP Zhejiang to BHP UK or BHP Housewares on a cost-plus basis. During the Track Record Period, BHP Zhejiang had not received a demand or challenge by any PRC authorities for additional tax payment.

There is no assurance that the relevant tax authorities would not subsequently challenge the appropriateness of our Group's transfer pricing arrangement or that the relevant regulations or standards governing such arrangement will not be subject to future changes. If the relevant tax authorities later find that the transfer prices and the terms that our Group has applied are not appropriate, such authorities may require our Group to re-assess the transfer prices and re-allocate the income or adjust the taxable income. Any such reallocation or adjustment could result in a higher tax liability for our Group and may adversely affect the business, financial condition and results of operation of our Group.

Any decrease or discontinuation of tax rebate towards exported goods may have a negative effect on our profitability

According to the Notice of the Ministry of Finance and the SAT on the Value-Added Tax and Consumption Tax Policy for Labor Services of Exported Goods* (《財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知》) issued by Ministry of Finance and the SAT on 25 May 2012 and revised on 9 December 2014, unless otherwise provided by law, export goods and services are subject to the exemption and refund of VAT policies. Subject to the relevant PRC laws, we are entitled to a rebate of VAT from the PRC tax authority in connection with our export sales for our products. The tax rebate comprised a refund of VAT incurred on the raw materials we used for production of our products in the PRC, which are subsequently exported to overseas countries. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, our tax rebate amounted to approximately RMB39.9 million, RMB47.9 million, RMB46.9 million and RMB18.1 million, respectively. We cannot assure you that the PRC governmental policies on tax rebate will not change or that the current policies we enjoy will not be cancelled. If there is any reduction, suspension, discontinuation or cancellation of tax rebate which may adversely affect the recoverability of our value-added tax recoverable, our business, financial condition and profitability would be adversely affected.

Our non-compliance with relevant social insurance and housing provident fund contribution laws and regulations in the PRC could lead to retrospective contribution and imposition of fines and penalties

During the Track Record Period, BHP Zhejiang failed to pay the social insurance contributions and housing provident fund contributions in full for its employees. For further details, please refer to the paragraphs headed "Business — Legal and compliance" in this prospectus.

Our Directors confirm that, the aggregate underpaid social insurance and housing provident funds for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, amounted to approximately RMB0.3 million, RMB0.2 million, nil and nil, respectively, with respect to social insurance payments, and approximately RMB3.1 million, RMB0.3 million, nil and nil, respectively, with respect to housing provident fund contributions.

In the event that the relevant authority later strengthens the enforcement of the relevant laws and regulations on social insurance and housing provident fund in respect of the enterprises within its jurisdiction and accordingly considers it necessary to make retrospective contribution to social insurance fund and housing provident fund contributions and impose penalties, the amount of which may be significant, our Group's business, financial condition and operating results may be materially and adversely affected.

We may not be able to adequately manage our inventory and our inventory may suffer from obsolescence or reduction in value

We manage our inventory to monitor the movements and utilisation of our raw materials inventory and ensure sufficient supply of raw materials to support our production on a continuous basis and we generally only place orders for some raw materials such as steel after we have received confirmed purchase orders from our customers. Our Group's inventory level of raw materials as at 31 December 2018, 2019 and 2020 and four months ended 30 April 2021 amounted to approximately RMB18.0 million, RMB22.2 million, RMB24.7 million and RMB32.1 million, respectively. For further details, please refer to the paragraphs headed "Financial information — Discussion on selected balance sheet items — Inventories" in this prospectus. However, we cannot assure you that there will always be stable demands for our products, or that after purchase orders are received, such orders will not be cancelled or reduced. In the event that we are not able to secure sufficient purchases for our products, or that purchase orders placed are cancelled, reduced or otherwise varied while we are not able to secure other purchasers who are willing to purchase the relevant products, it is possible that our raw materials purchased for meeting orders will become obsolete or reduce in value. In that case, our business, financial condition and results of operations could have been materially and adversely affected.

We outsource the delivery of our products to logistics providers and our customers may claim us for the loss or damage to our products during delivery

As at 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, we mainly outsourced the delivery of our products to independent logistics providers for transportation from our Huzhou Production Plant to the port for exporting. Our delivery cost accounted for approximately 2.9%, 3.1%, 2.8% and 3.1%, respectively, of our total revenue for each of the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021.

The logistics providers are responsible for any loss or damage to our products during delivery and are responsible for the insurance coverage in respect of our products delivered by them. The services provided by the logistics providers could be interrupted by various reasons beyond our control, including poor handling by the logistics providers, transportation bottlenecks, adverse weather conditions, natural disasters, social contests and labour strikes. There is no assurance that the logistics providers have sufficient insurance coverage for our products delivered by them, if at all. As such, our customers may have liability claims against us if there are any loss or damage to our products during delivery and the logistics providers do not have sufficient or any insurance coverage. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims are ultimately successful, we could be liable for substantial damages, which could materially and adversely affect our business, financial condition and operating results.

We are subject to interest rate risk

We have bank borrowings amounted to approximately RMB24.3 million, RMB26.7 million, RMB15.9 million and RMB17.8 million as at 31 December 2018, 2019 and 2020 and 30 April 2021, respectively, which are subject to interest rate risks. Some of the banking facilities carry a floating interest rate and our Group is subject to the interest rate risk. The ranges of effective interest rates on bank borrowings as at 31 December 2018, 2019 and 2020 and 30 April 2021, were ranged from 2.94% to 3.52% per annum, 2.55% to 2.68% per annum, 0.94% to 1.22% per annum and 0.72% to 0.80% per annum, respectively. During the Track Record Period and up to the Latest Practicable Date, our Group has not hedged any such interest rate risks.

Counterfeiting, imitation, and/or infringement by third-parties could negatively affect our reputation and brand name, which in turns affects our sales, financial condition and results of operations

We rely on intellectual property laws in the PRC, the United States, the United Kingdom and other jurisdictions to protect our trademarks and brands. While we have undertaken measures to manage our intellectual property portfolio to protect our trademarks and brands, including seeking and maintaining proper registration of our trademarks and patents, the measures we take to protect our trademarks or other intellectual property rights may not be adequate to prevent unauthorised use by third-parties. We cannot give assurance that counterfeiting or imitation of our products 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 negatively affect our reputation and brand name, lead to loss of consumer confidence in our brands, and, as a consequence, adversely affect (our results of operations). Please refer to the paragraphs headed "2. Intellectual property rights" in Appendix V to this Prospectus for further details regarding our intellectual properties.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Global or regional economic, political, trade or other factors may affect our business

Our business is substantially affected by the global and regional economic and market conditions, and level of international and regional trade. Political and trade disputes and trade protectionism may result in the imposition of trade barriers or restrictions, sanctions, boycotts or embargoes, new or increased tariffs and other factors such as acts of war, hostilities, epidemics or terrorism, which would also adversely affect the international or regional trade volume and, in turn, could have a material adverse effect on our business, financial condition and results of operations as well as affecting our future expansion strategies. For example, if the recent Sino-United States trade war persists and as a result the global economic environment deteriorates, the demand for our products could be affected, which may in turn have an adverse impact on our business, financial condition and results of operations. In addition, the utilisation rate of our machinery and equipment is affected by the market demand and supply of household necessity products, which is subject to the global economic condition. In the event that the global economy fails to improve or further suffers a recession, the demand for our products would decrease accordingly. Thereby, the utilisation rate of our production machinery and equipment would decrease and our operating results and financial performance would be materially and adversely affected.

We operate in a highly competitive market

The household necessity product industry is highly competitive and fragmented. There are a significant number of industry players who provide similar products to ours, which include a number of small to medium size enterprises. As at the end of 2020, there are approximately 600 drying racks manufacturers, 8,000 household cleaning tool manufacturers and over 3,000 kitchen gadgets manufacturers in the PRC. Some of these enterprises may have greater access to capital, longer operating histories, longer or more established relationships with their customers, better distribution network, greater marketing and other resources than we do. New participants who possess appropriate skills, local experiences, necessary machinery and equipment, capital and are eligible for the grant of the requisite licences by the relevant regulatory bodies may enter the industry and compete with our Group. Intense competition may result in lower operating margins and loss of market shares, which may adversely affect our profitability and operating results.

According to the CIC Report, most of our competitors focus on domestic market, therefore the manufacturing industry for export is relatively concentrated. Our Group contributed to approximately 6.6% of the export revenue in the drying rack manufacturing market in the PRC in 2020. If the competition intensifies, we may be under pressure to reduce sales price, which would have an adverse impact on our profitability and operating results. We cannot guarantee that we can cope with the enhanced competition in the future or that we can maintain our current position in the industry.

We are subject to stringent environmental and workplace safety laws and regulations, and we may incur substantial costs in complying with such laws and regulations and be subject to potential liability

We are subject to various national and local PRC environmental laws and regulations, which impose standards on the emission and treatment of pollutants created during the production process of our products, and are required to obtain environmental protection assessment approval and acceptance from the relevant PRC government authorities for the operation of Huzhou Production Plant periodically. The standards and/or requirements in respect of our production processes and raw materials may change from time to time, and we may not be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden for compliance, which may materially and adversely affect our business, financial condition and results of operations.

As the PRC is experiencing substantial issues with environmental pollution, environmental laws and regulations may become more stringent over time. As a result, we may need to incur more costs and devote more resources to comply with these laws and regulations. Furthermore, future changes in the scope, application and interpretation of these laws, regulations and approvals may limit or restrict the production capacity or increase the costs in connection with the installation of additional pollution control or safety improvement equipment or other related expenses substantially, and thus adversely affect our business. In addition, failure to comply with these laws and regulations could result in fines, penalties, clean-up costs or liabilities arising out of such claims.

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

Our operations are vulnerable to interruption and damage from natural and other types of catastrophes, including earthquakes, tsunami, fire, floods, hail, windstorms, severe winter weather (including snow, freezing water, ice storms and blizzards), environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks, and similar events. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophe or extraordinary event were to occur in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our products to our customers and could decrease demand for our products. Our national footprint may expose us to potential catastrophes of all types in a broad geographic area in the PRC. Since our property insurance only covers property damages caused by a limited number of numerated natural disasters and accidents and significant time could be required to resume our operations, our financial position and operating results could be materially and adversely affected in the event of any major catastrophic event.

RISKS RELATING TO OUR OPERATIONS IN THE PRC

Changes in political and economic policies of the PRC government could have an adverse effect on the overall economic growth of the PRC, which could increase our manufacturing costs and adversely affect our competitive position

Our production process and most of our business operations are conducted in the PRC. Accordingly, our business, financial condition, operating results and prospects are affected significantly by economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing and the allocation of resources.

While the PRC economy has grown significantly in the past 30 years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and operating results may be materially and adversely affected by government control over capital investments or changes in tax regulations that may be applicable to us.

The PRC economy has been transitioning from a planned economy to a more market oriented economy. However, the PRC government still exercises significant control over the economic growth of the PRC through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies. Furthermore, as the PRC economy has become increasingly linked with the global economy, the PRC is affected in various respects by downturns and recessions of major economies around the world. Any adverse change in the economic conditions in the PRC, the policies of the PRC government or the laws and regulations in the PRC, could have an adverse effect on the overall economic growth of the PRC and market demand for our products and our competitive position.

In addition, SAFE promulgated the Circular on Reforming the Administration of Foreign Exchange Settlement of 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》), or Circular 19, on 30 March 2015. Under Circular 19, registered capital of a foreign-invested company (settled in Renminbi converted from foreign currencies) may only be used within the business scope and other certain ways as listed in Circular 19. SAFE further promulgated the Circular on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account, or Circular 16, on 9 June 2016, which expressly prohibits foreign-invested enterprises from using registered capital settled in Renminbi converted from foreign currencies for investment in securities or other investments other than banks' principal-secured products or the granting of loans to non-affiliated enterprises, with the exception that such granting is expressly permitted in the business licence. Circular 19 and Circular 16 may significantly limit our ability to transfer the net proceeds from an offering to our PRC subsidiary and convert the net proceeds into Renminbi, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Our business operations are subject to uncertainties with respect to the laws and regulations of the PRC

Our business and operations in the PRC are governed by the laws of the PRC. The PRC law is a codified system which comprises of statutory laws, regulations, circulars, administrative directives and internal guidelines. Some of them, and the interpretation, implementation and enforcement thereof, are still at the experimental stage and are therefore subject to policy changes.

In the event that our PRC subsidiary breaches any of the foregoing, whether by omission or not, we will be subject to penalties prescribed therein. Owing to the fact that the legal system and economic system are growing at different paces, some degree of uncertainty exists in connection as to whether and how existing laws and regulations are applicable to certain circumstances. Moreover, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are of limited value for decisions, as the higher court decisions in the PRC do not necessary have binding effect on lower courts. Accordingly, the outcome of dispute resolution may not be as consistent or predictable as in other jurisdictions.

In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners and customers.

Such uncertainties, including the inability to enforce our contracts, together with any development or interpretation of PRC law that is adverse to us, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in the PRC may not be as effective as in the more developed countries. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

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

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

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

Companies having business in the PRC may have a chance to be classified as a "resident enterprise" for PRC enterprise income tax purposes, and such classification could result in unfavourable tax consequences to us and our non-PRC Shareholders

The PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**PRC EIT Law**") which was promulgated by the SAT on 16 March 2007 and effective on 1 January 2008 and last amended on 29 December 2019, enterprises established under the laws of jurisdictions other than the PRC may nevertheless be considered as PRC tax resident enterprises for tax purposes if these enterprises have their "de facto management body" within the PRC. Under the supplementary rules for the PRC EIT Law, the term "de facto management body" is defined as a body which substantially manages, or has control over the business, personnel, finance and assets, etc. of an enterprise. Since we are conducting business in the PRC through our PRC subsidiary and some of the members of our management team continue to be located in the PRC after the effective date of the PRC EIT Law, and we expect them to continue to be located in the PRC for the foreseeable future, we may be considered as a PRC resident enterprise by the PRC tax authorities and therefore be subject to the EIT at the rate of 25% on our worldwide income. If we are considered by the PRC tax authorities as a PRC tax resident enterprise under the PRC tax regime, our business, financial condition and operating results may be materially and adversely affected.

PRC tax laws on dividend distribution may adversely affect our operating results and dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to withholding taxes under PRC tax laws

Dividends received by foreign investors from foreign-invested enterprises were exempt from withholding income tax prior to 1 January 2008. Therefore, we were exempt from withholding tax on dividends we received from our PRC subsidiary prior to 1 January 2008. Under the PRC EIT Law, a withholding income tax at the rate of 20% is applicable to dividends derived from sources within the PRC paid by foreign-invested enterprises to their non-PRC parent companies. However, pursuant to the implementation rules of the PRC EIT Law reduced withholding income tax rate of 10% shall be applicable in such cases. In addition, due to the Arrangement between Mainland China and Hong Kong Special Administrative Region for the avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect to Taxes On Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), promulgated by the SAT and Hong Kong Special Administrative Region on 21 August 2006 (the "**Hong Kong Tax Treaty**"), a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiaries, or 10% if it holds less than a 25% interest in that subsidiaries. With respect to dividends, the SAT promulgated the Notice on Certain Issues of "Beneficial Owners" under Tax Treaty* (《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》) on 3 February 2018 (the "**Notice 9**"), which provides that conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, may not be recognised as beneficial owners and thus will not be entitled to the above-mentioned reduced income tax rate of 5% under the Hong Kong Tax Treaty. It is unclear at this early stage whether the Notice 9 applies to dividends from our PRC subsidiary paid to us through our Hong Kong subsidiary. It is possible however, that under the Notice 9, the Hong Kong subsidiary would not be considered as the "beneficial owner" of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favourable 5% rate applicable under the Hong Kong Tax Treaty.

In addition, due to ambiguities in the PRC EIT Law and its implementation rules, a withholding tax at the rate of 10% may also be applicable to dividends payable to investors (excluding individual natural persons) that are non-resident enterprises to the extent such dividends are sourced within the PRC. Similarly, any gain realised on the transfer of our Shares by such investors is also subject to a withholding tax at the rate of 10% if such gain is regarded as income derived from sources within the PRC. If we are considered a resident enterprise in the PRC, it is unclear whether the dividends we pay with respect to our Shares would be treated as income derived from sources within the PRC and be subject to PRC income tax. If we are required under the PRC EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment in our Shares may be materially and adversely affected.

RMB is not freely convertible

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from our PRC subsidiary to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE provided that we satisfy certain procedural requirements. However, approval from SAFE or its local counterpart is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses under the capital account such as the repayment of loans denominated in foreign currencies.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile

Prior to the Global Offering, there has been no public market for our Shares. The indicative range of the Offer Price was determined as a result of negotiations between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company. The Offer Price may differ significantly from the market price for the Shares following the Global Offering. We have applied for the listing of and permission to deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Global Offering or that our Shares will always be listed and traded on the Stock Exchange. We cannot assure you that an active trading market will develop or be maintained following the completion of the Global Offering, or that the market price of our Shares will not decline below the Offer Price.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

In addition, stock markets and the shares of companies listed on the Stock Exchange have experienced substantial price and volume fluctuations from time to time that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

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

Immediately following the Capitalisation Issue and the Global Offering, without taking into account the exercise of the Over-allotment Option, our Controlling Shareholders will beneficially own 75% of the Shares. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders may be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders may have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of Directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider our interests or the interests of our other Shareholders.

Investors for our Shares will experience immediate dilution

The Offer Price is higher than the net tangible asset value per Share. Hence, investors of our Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK$0.67 and HK$0.72 per Share based on the Offer Price at HK$1.0 and HK$1.2 per Offer Share respectively.

Shareholders' interests in our Company may be diluted as a result of additional equity fund raising

We may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to our existing operations or any future acquisitions. If additional funds are raised by way of issuing Shares or equity-linked securities other than on a pro-rata basis to existing Shareholders, our existing Shareholders' shareholding may be reduced, the earnings per Share and the net tangible asset value per Shares would diminish and/or such newly issued securities may have rights, preferences and privileges superior to the Shares of our existing Shareholders.

There was no prior public market for our Shares. If an active trading market for our Shares does not develop, the prices of our Shares may be adversely affected and may decline below the Offer Price. Further, the Offer Price was the result of negotiations between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). Such Offer Price may differ significantly from the market price for the Shares following the Global Offering.

Further, we cannot assure you that an active trading market will develop or be maintained following completion of the Global Offering, or that the market price of our Shares will not decline below the Offer Price.

There is a time lag between pricing and commencement of trading of the Shares, and the price of our Shares may fall before trading begins

As there will be a gap of several days between the pricing and the trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins. The Offer Price of our Shares is expected to be determined on the Price Determination Date, which is expected to be on or around Friday, 5 November 2021. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be on or around Friday, 12 November 2021. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date. Our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the closing of application lists. As a result, investors may not be able to sell or deal in our Shares during that period.

Accordingly, Shareholders are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Companies Act may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by, among others, the Memorandum and Articles of Association, the Companies Act and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on among other things, protection of minority Shareholders is set out in Appendix IV to this prospectus.

Dividends paid in the past may not be indicative of the amount of future dividend payments or our Group's future dividend policy

For the years ended 31 December 2018, 2019 and 2020, an interim dividend of nil, RMB31.5 million and nil, respectively, has been declared and appropriated by Grand Resources to its then shareholders. The dividends declared and paid as aforesaid do not amount to any guarantee, representation or indication that the Company must or will declare and pay dividends in such manner in the future or at all. Particulars of the dividend policy to be adopted by our Group following the Listing are set out in the paragraphs headed "Financial information — Dividend policy" in this prospectus. There can be no assurance and in fact it is not expected that the amount of dividends which may be declared by the Company in the future, if any, will be at the level declared and paid by the Company immediately prior to Listing.

RISKS RELATING TO THE STATEMENT IN THIS PROSPECTUS

Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Global Offering

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there may be press and media coverage regarding the Global Offering and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable

Certain facts, forecast and other statistics in this prospectus are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, the information derived from official government publications has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or any of their respective affiliates or advisers (except CIC) and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgement of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed "Risk factors" in this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance.

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, this will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. Since the business operations of our Group is primarily located in the PRC, our Group does not, and in the foreseeable future will not, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Currently, all of our executive Directors reside in the PRC. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules.

Notwithstanding that upon the Listing, we will not have at least two executive Directors who are ordinarily residents in Hong Kong, the following will continually allow us to maintain regular communications with the Stock Exchange for the purpose of Rule 8.12 of the Listing Rules:

(a) we have appointed two authorised representatives (the "**Authorised Representatives**") in compliance with Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and will ensure that our Group complies with the Listing Rules at all times. The two Authorised Representatives are Mr. Zhu, one of our executive Directors and Ms. Lam Shi Ping, one of our joint company secretaries. Ms. Lam Shi Ping is a Hong Kong permanent resident and Mr. Zhu possesses valid travel documents to visit Hong Kong and is able to renew such travel documents when they expire in order to visit Hong Kong. Each of the Authorised Representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(b) each of the Authorised Representatives has means to contact all members of the Board (including our independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance the communication between the Stock Exchange, the Authorised Representatives and our Directors, we will implement a policy that (a) each Director will have to provide their respective office phone number(s), mobile phone number(s), residential phone number(s), facsimile number(s) and email address(es) (if applicable) to the Authorised Representatives and the Stock Exchange; and (b) in the event that a Director expects to travel and/or otherwise be out of office, he/she will provide the contact details to the Authorised Representatives;

(c) we have appointed Giraffe Capital Limited as our compliance adviser (the "**Compliance Adviser**") in compliance with Rule 3A.19 of the Listing Rules, which will have access at all times to our Authorised Representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us;

(d) we will appoint other professional advisers (including legal advisers and accountants) after the Listing to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be sufficient communication with the Stock Exchange; and

(e) meeting(s) between the Stock Exchange and our Directors can be arranged through the Authorised Representatives or the Compliance Adviser, or directly with our Directors within a reasonable period. We will inform the Stock Exchange promptly in respect of any changes in the Authorised Representatives and the Compliance Adviser.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. We have, pursuant to Rule 14A.105 of the Listing Rules, applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules in respect of the non-exempt continuing connected transactions. Please refer to the section headed "Continuing connected transactions — Non-exempt continuing connected transactions" for further details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed Director who is named as such in this prospectus) 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 of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information 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 materials 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.

HONG KONG PUBLIC OFFERING, UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form set out the terms and conditions of the Hong Kong Public Offering.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Conditions imposed by the SFC pursuant to section 6(3)(b) of the Securities and Futures (Stock Market Listing) Rules

Pursuant to section 6(3)(b) of the Securities and Futures (Stock Market Listing) Rules, the SFC is imposing the following conditions to the Listing:

(i) Our Company having provided a complete list of the intermediaries involved in the placing, distribution or underwriting of the Global Offering (including the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, underwriting syndicate members, non-syndicate sub-placing agents and distributors) (each an "**Intermediary**" and together, the "**Intermediaries**") and the amount of placing and underwriting commissions and incentives paid/to be paid to each of them by 1700 hours Hong Kong time on the business day immediately preceding the Listing Date.

(ii) Our Company, the Sole Sponsor and each of the Intermediaries (as the case may be) having confirmed to the SFC and the Stock Exchange the following matters in writing by 1700 hours Hong Kong time on the business day immediately preceding the Listing Date:

(a) No benefits (in whatever form, including rebate, discount, incentive, commission, loan or otherwise) have been or will be given by our Company, any of its Controlling Shareholders, subsidiaries, Directors, senior management or any of their respective associates, to (i) the Sole Sponsor, (ii) any of the Intermediaries or (iii) any of the placees (including the ultimate beneficial owners, subsidiaries, directors, senior management or the respective associates of the parties referred to in (i), (ii) and (iii)) (together, the "**Relevant Parties**") directly or indirectly in connection with the Global Offering other than those set out in the Sole Sponsor engagement letter, placing and sub-placing agreements and/or underwriting agreements (as the case may be) and this prospectus.

(b) No benefits (in whatever form, including rebate, discount, incentive, commission, loan or otherwise) have been or will be given by the relevant Intermediary (including its ultimate beneficial owner, subsidiaries, directors, senior management or their respective associates) to (i) any other Intermediary or (ii) any of the placees (including the ultimate beneficial owners, subsidiaries, directors, senior management or the respective associates of the parties referred to in (i) and (ii)) directly or indirectly in connection with the Global Offering other than those set out in the placing and sub-placing agreements and/or underwriting agreements (as the case may be) and this prospectus.

(c) No side agreement, arrangement, undertaking or otherwise (verbal or written) has been or will be entered into by our Company (including its Controlling Shareholders, subsidiaries, Directors, senior management or their respective associates) and the Relevant Parties in connection with the Global Offering or any subsequent dealings in respect of the Company's securities, other than those set out in the respective Sole Sponsor engagement letter, placing and sub-placing agreements and/or underwriting agreements (as the case may be) and this prospectus.

(iii) Our Company undertakes that it will disclose the following in its first annual report published after the Listing and the annual report for the first full financial year after the Listing:

(a) The confirmations set out in condition (ii) above;

(b) The details of any transactions between (i) our Company, our Controlling Shareholders, subsidiaries, Directors, senior management or their respective associates; and (ii) any of the Relevant Parties, consultants or advisers involved in the application of the Listing, commencing from the beginning of the respective financial years and ending on the date of such respective annual reports, or a negative statement where applicable; and

(c) Where our Company or any of its subsidiaries is a party to the transaction(s) referred to in condition (iii) (b) above, the views of our Company's independent non-executive Directors and our compliance adviser on whether such transaction(s) was/were entered into in the ordinary and usual course of business of our Company and its subsidiaries, conducted on normal commercial terms and was/were in the interests of the Shareholders as a whole.

(iv) The conditions imposed by the SFC for not objecting to the Listing are set out in full in this prospectus. Notwithstanding that, the SFC may impose further conditions for not objecting to the Listing at any time before the Listing.

Conditions for our Company's Listing imposed by the Listing Committee of the Stock Exchange (the "**Listing Committee**"): -

The Listing Committee imposed the following two conditions to our Company's Listing: -

(i) our Company and the Sole Sponsor should provide the Listing Committee with concrete details of our Company's marketing plan, including our strategies for investor targeting, marketing, pricing and allocation. Where there is any subsequent departure from these strategies, our Company and the Sole Sponsor should provide explanations and address any further enquiries in this regard; and

(ii) our Company undertakes that it should report to its compliance advisor on the status of the use of proceeds on a monthly basis for 12 months following its Listing, and our Company and its compliance advisor should timely inform the Stock Exchange of deviations from the use of proceeds and/or underwriting commission and listing expenses as stated in this prospectus, and where appropriate, make announcements.

If our Company fails to fulfil the aforesaid condition (i) and undertake to comply with condition (ii), listing approval will not be granted to our Company. Hence, our Company may not obtain the listing approval for the Listing.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering".

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to the Offer Price being agreed. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus and/or the **GREEN** Application Form in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the **GREEN** Application Form may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus pursuant to the Global Offering (including Shares to be issued pursuant to the Capitalisation Issue and Shares which may fall to be issued upon the exercise of the Over-allotment Option).

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

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

DEALING ARRANGEMENT

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on or around Friday, 12 November 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 12 November 2021. The Shares will be traded in board lots of 2,000 Shares each and are freely transferable. The stock code of the Shares will be 1491.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the approval for listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement 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 stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

All Offer Shares will be registered on the Hong Kong branch register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.13% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the register of members of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company entitled, or in the case of joint Shareholders, to the registered address of that one whose name stands first in the register of members in respect of the joint holding, or to such person and to such address as the holder or joint holders may in writing direct, in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of our Group, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

Unless otherwise specified, all references to any shareholdings in our Company assume none of the Over-allotment Option is exercised.

LANGUAGE TRANSLATION

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall govern.

CURRENCY TRANSLATIONS

Unless otherwise specified, translation of Renminbi into Hong Kong dollars, or US$ into HK$ in this prospectus, and vice versa in this prospectus as at the Latest Practicable Date are based on the exchange rate set out below (for the purpose of illustration only):

US$1.00: HK$7.83
RMB1.00: HK$1.14

For exchange rates translations through this prospectus (if any), no representations is made that any amount in Renminbi, US$ and HK$ can be or could have been converted at the relevant dates at the above exchange rate or at any other rate.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Zhu Boming (朱伯明)	Block 32 House Li Ting West Bailu County Liangzhu Cultural Village Hangzhou, Zhejiang PRC	Chinese
Mr. Fang Gaisheng (方改生)	Unit 403 Block 1, Yuquan Court 1 Feicui Community Xianlin Street Yuhang District Hangzhou, Zhejiang PRC	Chinese
Mr. Mao Chungen (毛春根)	Room 1101, Block 9 Xiangzhuyuan Baihe Apartment Zhongxing South Road Tashan Community Wukang Town Deqing County Hangzhou, Zhejiang PRC	Chinese
Non-executive Director		
Ms. Zhu Yi (朱奕)	Block 2, Building No. 7, Phase I West Bailu County Liangzhu Cultural Village Hangzhou, Zhejiang PRC	Chinese

Name	Residential Address	Nationality
Independent non-executive Directors		
Mr. Guan Yuchun (關榆春)	Room 501, 2/F, New Block No. 255 Hospital Lunan District Tangshan, Hebei PRC	Chinese
Mr. Zhao Xiaoming (趙曉明)	Room 405, Block B2 Fenghuang Shuicheng Jinjiling Road Hexi, Sanya PRC	Chinese
Ms. Kung On Yee Annet (龔安怡)	Flat E, 5/F, Block 8 8 Shan Yin Road Grand Palisades Tai Po, New Territories Hong Kong	Chinese

For further information of our Directors, please refer to the section headed "Directors and senior management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Giraffe Capital Limited** 3/F, 8 Wyndham Street Central Hong Kong
Joint Global Coordinators	**Giraffe Capital Limited** 3/F, 8 Wyndham Street Central Hong Kong
	First Shanghai Securities Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong

	Guotai Junan Securities (Hong Kong) Limited 27/F., Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Joint Bookrunners	**Giraffe Capital Limited** 3/F, 8 Wyndham Street Central Hong Kong
	First Shanghai Securities Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 27/F., Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	Quasar Securities Co., Limited Unit A, 12/F Harbour Commercial Building 122–124 Connaught Road Central Hong Kong
Joint Lead Managers	**Giraffe Capital Limited** 3/F, 8 Wyndham Street Central Hong Kong
	First Shanghai Securities Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Quasar Securities Co., Limited
Unit A, 12/F
Harbour Commercial Building
122–124 Connaught Road
Central
Hong Kong

Chuenman Securities Limited
Office A, 10/F, Sang Woo Building
227–228 Gloucester Road
Wan Chai
Hong Kong

FUTEC Financial Limited
Suite 622, Ocean Centre
Harbour City
Tsim Sha Tsui
Kowloon
Hong Kong

Yuan Tong Global Securities Limited
Suite 901, 9/F
118 Connaught Road West
Sai Ying Pun
Hong Kong

Legal advisers to our Company

As to Hong Kong law
P. C. Woo & Co.
12/F, Prince's Building
No. 10 Chater Road
Central
Hong Kong

Mr. Leung Wai-Keung, Richard
38/F, Gloucester Tower
The Landmark
Central
Hong Kong

As to Cayman Islands law
Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai
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As to PRC law
GuangDong Sun Law Firm
6/F SBG Building
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PRC

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DKLM LLP
City House
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London
EC1V 9PE
United Kingdom

As to US law
Alston & Bird LLP
One Atlantic Center
1201 West Peachtree Street
Suite 4900
Atlanta, GA 30309-3424
United States of America

	As to Australian law **McCullough Robertson** Level 32, 25 Martin Place Sydney NSW 2000 Australia
	As to German law **Henseler & Partner Rechtsanwälte mbB** Graf-Adolf-Platz 12, 40213 Düsseldorf, Germany
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law* **TC & Co.** Units 2201-2203 22/F., Tai Tung Building 8 Fleming Road Wanchai Hong Kong
	As to PRC law **Dentons** 3F&4F, Block A Shenzhen International Innovation Center No. 1006, Shennan Boulevard Futian District Shenzhen PRC
Auditor and reporting accountants	**Grant Thornton Hong Kong Limited** *Certified Public Accountants* 11th Floor Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong

Internal control consultant	**SHINEWING Risk Services Limited** 43/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Industry consultant	**China Insights Industry Consultancy Limited** 10F, Block B Jing'an International Center 88 Puji Road Jing'an District Shanghai PRC
Independent Property Valuer	**AVISTA Valuation Advisory Limited** 23/F, Siu On Centre 188 Lockhart Road Wanchai Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered office in the Cayman Islands	PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
Principal place of business in the PRC	No. 378 Guangming Street Deqing Economic Development Zone Deqing County Zhejiang PRC
Principal place of business in Hong Kong	Room 602, 6/F Golden Gate Commercial Building 136-138 Austin Road Tsim Sha Tsui Hong Kong
Company's website	***www.betterhomechina.com*** *(the information contained on this website does not form part of this prospectus)*
Joint company secretaries	Ms. Lam Shi Ping (林仕萍) *(ACS, ACIS)* 31/F 148 Electric Road North Point Hong Kong Mr. Leung Man Hang (梁敏行) *(HKICPA)* Flat 502, 5/F, Wang Yip House Wang Tau Hom Estate Wong Tai Sin, Kowloon Hong Kong
Authorised representatives	Mr. Zhu Boming (朱伯明) Block 32 House Li Ting West Bailu County Liangzhu Cultural Village Hangzhou, Zhejiang PRC Ms. Lam Shi Ping (林仕萍) 31/F 148 Electric Road North Point Hong Kong
Audit committee	Ms. Kung On Yee Annet (龔安怡) *(chairman)* Mr. Guan Yuchun (關榆春) Mr. Zhao Xiaoming (趙曉明)

Remuneration committee	Mr. Zhao Xiaoming (趙曉明) *(chairman)* Mr. Guan Yuchun (關榆春) Mr. Zhu Boming (朱伯明)
Nomination committee	Mr. Zhu Boming (朱伯明) *(chairman)* Ms. Kung On Yee Annet (龔安怡) Mr. Guan Yuchun (關榆春)
Cayman Islands principal share registrar	**Maples Fund Services (Cayman) Limited** PO Box 1093, Boundary Hall Cricket Square Grand Cayman, KY1-1102 Cayman Islands
Hong Kong branch share registrar and transfer office	**Boardroom Share Registrars (HK) Limited** 2103B, 21/F 148 Electric Road North Point Hong Kong
Compliance adviser	**Giraffe Capital Limited** *A licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO* 3/F, 8 Wyndham Street Central Hong Kong
Principal banker	**Bank of China Limited** Deqing Branch No. 38 Yong An Jie Wukangzhen Deqing County Huzhou City Zhejiang Province PRC

The information presented in this section, including certain facts, statistics and data, is derived from the market research report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information derived from official government publications has not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering (except CIC) and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company founded in Hong Kong and an Independent Third Party engaging in the provision of professional industry consulting across multiple industries, to conduct an analysis of, and to report on the (i) laundry product markets in the PRC, the UK, Germany and Australia; and (ii) household cleaning tool market in the PRC and the US. The CIC Report has been prepared by CIC independent of our influence. The fee payable to CIC for preparing the CIC Report is HK$650,000, which we consider reflects market rate for such report.

CIC is an independent professional market research company with solid experience in their profession. The information and data collected by CIC have been analysed, assessed and validated using CIC's in-house analysis models and techniques. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as the National Bureau of Statistics of the PRC and industry associations. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis we consider the data and statistics extracted from the CIC Report to be reliable.

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) the PRC's economic development is likely to continue to maintain a steady growth trend during the forecast period; (ii) related industry key drivers are likely to drive the drying rack market and household cleaning tool manufacturing market; (iii) related industry key drivers are likely to drive the laundry product markets in the UK, Germany and Australia and household cleaning tool market in the US in the forecast period; and, (iv) there is no extreme force majeure or industry regulations in which the markets may be affected either dramatically or fundamentally. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumption and factors.

We are principally engaged in the design, development, manufacture and sale of a wide variety of (i) laundry products; (ii) household cleaning tools; and (iii) kitchen gadgets, with our production plant based in the PRC. During the Track Record Period, we derived most of our revenue from our sales of laundry products delivered to the United Kingdom, Germany and Australia. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our sales of laundry products delivered to these major countries constituted approximately 85.1%, 86.2%, 79.2% and 75.6% of our total revenue of laundry products, respectively. Meanwhile, we also derived a substantial portion of our revenue from our sales of household cleaning products delivered to the US. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our revenue generated from our sales of household cleaning products delivered to the US accounted for approximately 84.3%, 85.2%, 84.8% and 71.5% of our total revenue of household cleaning tools, respectively. Hence, with a view to understanding the industry in these major countries to which our products are principally exported, the CIC Report mainly focuses on the markets in the PRC, the US, the UK, Germany and Australia, being the major countries in which our business are involved. Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify, contradict or have an impact on the information in this section. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report.

THE LAUNDRY PRODUCT MARKETS

Laundry products are tools designed for washing and drying clothes which mainly include drying racks, hangers, ironing board, clothes hampers and other miscellaneous laundry-related items such as laundry bags.

Generally, drying racks can be categorised into the following groups:

Classification	Major product type	Description	General usage
Floor-standing drying racks	Rotary drying racks	• With several lines on each of its sides, and a ground socket for an easy, fast and concrete installation.	Outdoor
	Foldable drying racks	• Practical for families without balcony • Mobile and convenient for storage	Indoor or outdoor
	Upright drying racks	• Not foldable	Indoor or outdoor

Classification	Major product type	Description	General usage
Wall-mounted drying racks	Portable drying racks	• Can be hung on windows, railings and doors	Indoor or outdoor
	Extendable drying racks	• Occupying minimal space when they are not in use	Indoor or outdoor
	Traditional clothes airers	• Featuring a pulley system	Balcony
	Retractable clotheslines	• With automatic retraction design that allows the clothesline to be collected after use	Indoor or outdoor
Others	Ground socket screw	• For installation of rotary drying racks onto the ground	Outdoor
	Washing line	• Attached from a post or a wall	Indoor or outdoor

The United Kingdom (the "UK")

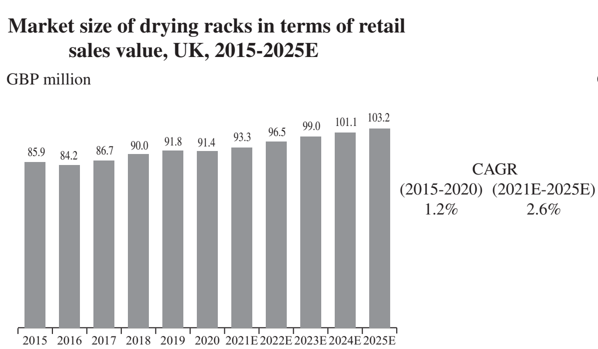
According to the International Monetary Fund ("**IMF**"), the UK economy has increased slowly over the past few years, with its nominal GDP increasing slightly from approximately GBP1.92 trillion in 2015 to approximately GBP2.06 trillion in 2020. The UK nominal GDP is expected to sustain long-term growth to reach approximately GBP2.57 trillion by 2025. Despite the uncertainty brought by the withdrawal of the UK from the EU, according to the Office for National Statistics, the per capita disposable income in the UK increased slightly from approximately GBP25,823 in 2015 to approximately GBP25,905 in 2020, representing a CAGR of approximately 0.1%. This number is expected to reach approximately GBP27,342 in 2025, representing a CAGR of approximately 1.0% from 2021 to 2025. According to the Office for National Statistics, the total number of households in the UK has increased from approximately 27.0 million in 2015 to approximately 27.8 million in 2020, representing a CAGR of approximately 0.6%. This number is expected to grow to reach approximately 28.7 million in 2025, representing a CAGR of approximately 0.5% from 2021 to 2025.

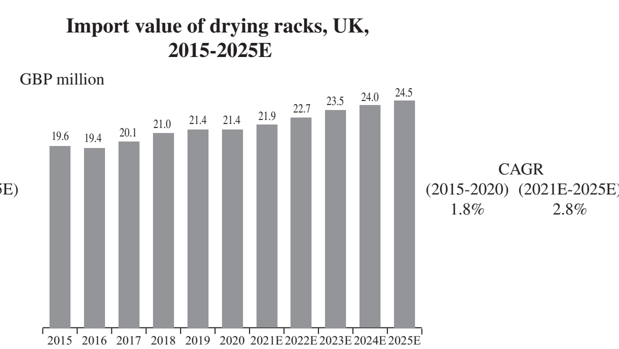
Laundry product market in the UK

Outdoor laundry products are popular in the UK as the majority of households inhabit houses with a yard. Due to rainy climate in the UK, laundry products are often designed to be water-resistant, while airer covers are used to protect drying racks from the rain. The laundry product market in terms of retail sales value in the UK has grown from approximately GBP153.4 million in 2015 to approximately GBP164.7 million in 2020, and is expected to reach approximately GBP187.6 million in 2025, representing a CAGR of approximately 2.6% between 2021 and 2025.

Drying rack market in the UK

According to the Office for National Statistics and CIC, the drying rack market in the UK accounted for approximately 2% of the global drying rack market in terms of sales revenue in 2020. According to the Office for National Statistics and CIC, the market size of drying racks, in terms of retail sales, in the UK rose from approximately GBP85.9 million in 2015 to approximately GBP91.4 million in 2020, representing a CAGR of approximately 1.2%. The decrease in retail sales value of drying racks in the UK for 2016 was mainly due to the more conservative spending of some consumers who felt uncertain following the referendum held by the UK to decide to withdraw from the EU in June 2016. In 2020, the retail sales value of drying racks in the UK decreased due to the disruption of trading activities caused by the outbreak of COVID-19. However, on the basis that the lockdown measures will ease in 2021, the market size of drying racks is expected to recover from the second half of 2021 onwards. The retail sales value of drying racks is expected to increase and reach approximately GBP103.2 million in 2025, representing a CAGR of approximately 2.6% from 2021 to 2025, along the expected moderate growth in per capita GDP and disposable income.





Source: CIC Report, Office for National Statistics

According to the Office for National Statistics and CIC, the import value of drying racks in the UK is estimated to increase from approximately GBP19.6 million in 2015 to approximately GBP21.4 million in 2020, representing a CAGR of approximately 1.8%. In 2016, world merchandise trade value decreased by approximately 3.3% from 2015 due to continuing weakness in the global economy. Together with the drop in retail sales value of drying racks in 2016, the import value decreased from approximately GBP19.6 million in 2015 to approximately GBP19.4 million in 2016. In 2020, the import value of drying racks decreased with the reduction of market size in terms of retail sales value caused by the outbreak of COVID-19. The import value of drying racks is expected to reach approximately GBP24.5 million in 2025, representing a CAGR of approximately 2.8% from 2021 to 2025. The demand for drying racks in the UK is mainly fulfilled by importation while the PRC contributed approximately 65% of the import value of drying racks in the UK in 2020.

Features and trend

Higher number of houses than apartments: According to Eurostat, the statistical office of the European Union, and CIC, only approximately 14% of British people live in apartments, representing one of the lowest rates among European countries, while the majority of households live in houses with a yard. As a result, the proportion of outdoor rotary drying rack was relatively higher, accounting for approximately 53.8% in 2020. With the increasing number of households in the UK, it is expected that the market demand of outdoor rotary drying rack will continue to increase.

Drivers

Growth of household income: Although economic growth in the UK has slowed down in the past few years mainly due to the political uncertainty brought by Brexit, according to the Office for National Statistics the median household income has still been growing from approximately GBP48,900 in 2015 to approximately GBP49,700 in 2020. The median household expenditure has increased from approximately GBP38,300 in 2015 to approximately GBP44,000 in 2020, and is expected to increase to approximately GBP49,800 in 2025. With higher household income, the purchasing power of households increases and they would expect better standard of living. Consumers are more willing to spend more on quality household necessity products including drying racks with multi-functions and more appealing design, which would drive the demand for quality and branded drying racks in the UK.

Increasing energy saving awareness: Since tumble dryers are one of the costly appliances to run in the home, switching from tumble drying to air drying would be an effectively way to reduce electricity consumption and thus lower the electricity bill. Further, national campaigns such as the Big Energy Saving Week were held to advocate energy saving in the UK. With the increasing public awareness over energy savings, the intention to lower energy consumption would encourage the switch from tumble drying to air drying, which in turn drives the demand for drying racks in the UK.

Development of e-commerce: In recent years, people in the UK have been shopping online more frequently. According to the Office for National Statistics, the e-commerce retail sales value in the UK increased from approximately GBP52.3 billion in 2015 to approximately GBP99.3 billion in 2020, representing a CAGR of approximately 13.7%. Some online stores in the UK provide one-day delivery service for certain household necessity products, including drying racks, which improves the shopping convenience and in turns fuels the sales market of household necessity products in the UK.

Germany

The German economy has experienced steady growth over the past several years, with its nominal GDP growing from approximately EUR3.03 trillion in 2015 to approximately EUR3.31 trillion in 2020, according to the IMF. Germany's nominal GDP is expected to sustain long-term growth and is anticipated to reach approximately EUR4.03 trillion by 2025. According to the Federal Statistical Office, the per capita disposable income in Germany increased from approximately EUR21,487 in 2015 to approximately EUR23,803 in 2020, representing a CAGR of approximately 2.1%. This number is expected to reach approximately EUR26,101 in 2025, representing a CAGR of approximately 1.7% from 2021 to 2025. The total number of households in Germany has increased from approximately 40.8 million in 2015 to approximately 41.7 million in 2020, representing a CAGR of approximately 0.4%. This number is expected to grow to reach approximately 42.2 million in 2025, representing a CAGR of approximately 0.2% from 2021 to 2025.

Laundry product market in Germany

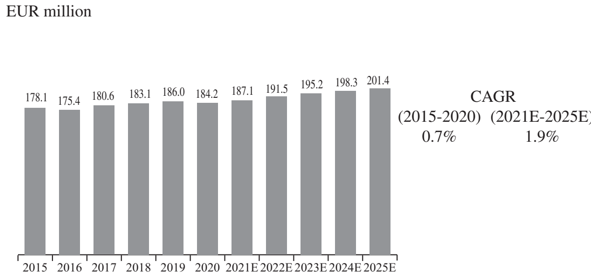
Laundry products in Germany targets high-end customers as people in Germany are more willing to pay a premium to buy products with better quality and specifications. According to the Federal Statistical Office and CIC, the laundry product market in terms of retail sales value in Germany has grown from approximately EUR307.1 million in 2015 to approximately EUR323.2 million in 2020, and is expected to reach approximately EUR356.5 million in 2025, representing a CAGR of approximately 2.0% between 2021 and 2025.

Drying rack market in Germany

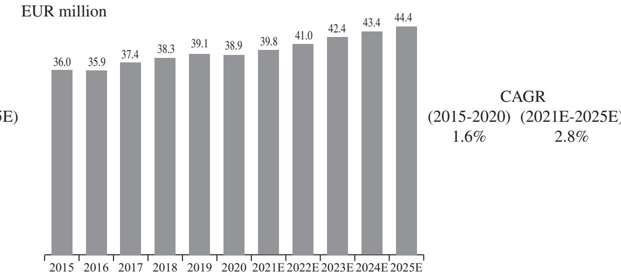
The average household size in Germany has been declining in recent decades. According to the IMF and CIC, in 2020, the average household size was approximately 2.0 people per household. The smaller household size leads to a larger number of households relative to the total population. The number of households reached approximately 41.7 million in 2020.

The drying rack market in Germany accounted for approximately 4% of the global drying rack market in terms of sales revenue in 2020. According to the Federal Statistical Office and CIC, the market size of drying racks in Germany rose from approximately EUR178.1 million in 2015 to approximately EUR184.2 million in 2020, representing a CAGR of approximately 0.7%. In 2016, the growth of number of household in Germany has slowed down, with the annual growth rate decreased from approximately 1.4% in 2015 to approximately 0.5% in 2016. As a result, the retail sales value of drying racks in Germany decreased. In 2020, the retail sales value of drying racks in Germany decreased slightly due to the business disruption brought by the outbreak of COVID-19. With the expected growth in the number of household and the expected increase in the per capita disposable income, the market size of drying racks is estimated to increase from approximately EUR187.1 million in 2021 to approximately EUR201.4 million in 2025, representing a CAGR of approximately 1.9%.

Market size of drying racks in terms of retail sales value, Germany, 2015-2025E



Import value of drying racks, Germany, 2015-2025E



Source: CIC Report, Federal Statistical Office

According to the Federal Statistical Office and CIC, the import value of drying racks in Germany is estimated to increase from approximately EUR36.0 million in 2015 to approximately EUR38.9 million in 2020, representing a CAGR of approximately 1.6%. In 2016, the world merchandise trade decreased due to continuing weakness in global economy. Together with the drop in retail sales value of drying racks in Germany, the import value decreased from approximately EUR36.0 million in 2015 to approximately EUR35.9 million in 2016. In 2020, the import value of drying racks decreased temporarily with the reduction of its retail sales value caused by the outbreak of COVID-19. The import value of drying racks is expected to reach approximately EUR44.4 million in 2025, representing a CAGR of approximately 2.8% from 2021 to 2025. Approximately 59% of Germany's drying racks import value was contributed by the PRC in 2020.

Features and trend

Higher number of apartments to houses: Different from most European countries, approximately 57% of the German households live in apartments as opposed to houses, according to Eurostat and CIC. As a result, the proportion of outdoor rotary drying racks only accounted for approximately 23.3% of the total drying rack market in 2020. In contrast, indoor foldable, portable and extendable drying racks are more popular in Germany. With the increasing number of households in Germany, it is expected that the market demand for indoor drying racks will continue to increase.

Drivers

Rising immigrant population: Germany, being one of the most developed countries in the EU, has attracted many migrants from other countries. A substantial number of immigrants and refugees, coming from less developed regions, have relatively lower standards of living compared to local citizens. Air drying is more popular compared to using tumble dryers which are expensive and consume electricity. Therefore, the rising immigrant population in developed countries will widen the potential customer base and will be a big driving force for household necessity products, including drying racks.

Development of e-commerce: Online shopping in Germany, especially for household necessity products, continued to grow steadily over the years. According to the Federal Statistical Office, the e-commerce retail sales value in Germany increased from approximately EUR39.9 billion in 2015 to approximately EUR72.8 billion in 2020, representing a CAGR of approximately 12.8%. With the development of e-commerce, consumers can access to abundant household necessity products and enjoy increasingly speedy delivery services, which improves shopping convenience and fuels the sales market of household necessity products in Germany. As e-commerce is one of the major sales channels of the Group's major customers in Germany, the development of e-commerce can benefit them in on-selling their products to their customers.

Australia

Australia has experienced continuous economic growth since 1992, which was mainly driven by increasing business investment, exports and government spending. According to the Australian Bureau of Statistics, the per capita disposable income in Australia increased from approximately AUD66,890 in 2015 to approximately AUD75,569 in 2020, representing a CAGR of approximately 2.5%. This is expected to reach approximately AUD86,370 in 2025. According to the Australian Bureau of Statistics, the total number of households in the Australia has increased from approximately 9.1 million in 2015 to approximately 9.9 million in 2020, representing a CAGR of approximately 1.7%. This is expected to grow to approximately 10.7 million in 2025, representing a CAGR of approximately 1.5% from 2021 to 2025.

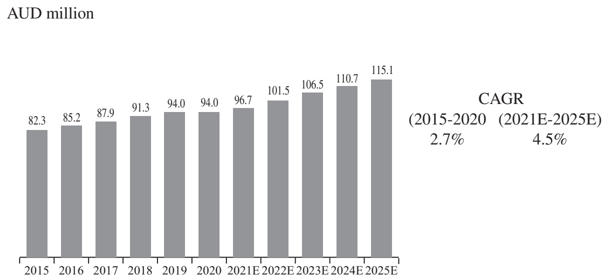
Laundry product market in Australia

Surrounded by oceans, the product lifecycle of laundry products, which are often placed outdoor, is relatively shorter as they deteriorate quickly due to corrosion. Therefore, large brands in Australia are making efforts on improving the corrosion-resistance of their laundry products. The laundry product market in terms of retail sales value in Australia has grown from approximately AUD144.4 million in 2015 to approximately AUD166.4 million in 2020, and is expected to reach approximately AUD205.5 million in 2025, representing a CAGR of approximately 4.3% between 2021 and 2025.

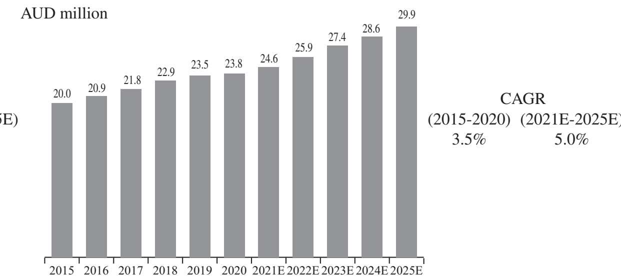
Drying rack market in Australia

According to the Australian Bureau of Statistics and CIC, the drying rack market in Australia accounted for over 1% of the global drying rack market in terms of sales revenue in 2020. According to the Australian Bureau of Statistics, the market size of drying racks, in terms of retail sales, in Australia rose from approximately AUD82.3 million in 2015 to approximately AUD94.0 million in 2020, representing a CAGR of approximately 2.7%. The high rate of overseas migration flowing to Australia in the past years has contributed to a rapid population growth of over 1.6% each year. This incoming migrant population helps boost the number of household, which will stimulate the nation's drying rack market. The market size of drying racks in Australia is expected to reach approximately AUD115.1 million in 2025, representing a CAGR of approximately 4.5% from 2021 to 2025.

Market size of drying racks in terms of retail sales value, Australia, 2015-2025E



Import value of drying racks, Australia, 2015-2025E



Source: CIC Report, Australian Bureau of Statistics

According to the Australian Bureau of Statistics and CIC, the import value of drying racks in Australia is estimated to increase from approximately AUD20.0 million in 2015 to approximately AUD23.8 million in 2020, representing a CAGR of approximately 3.5%. It is expected to reach approximately AUD29.9 million in 2025, representing a CAGR of approximately 5.0% from 2021 to 2025. The PRC contributes a significantly high proportion of Australia's drying racks import, at approximately 79% in terms of import value in 2020.

Features and trend

Favourable conditions for outdoor drying racks: Despite being the sixth largest country in the world in terms of land area, Australia has a population of approximately 25.7 million only in 2020, according to the IMF. Given this enormous land and low population density, approximately 85% of the households live in separate houses or semi-detached houses with large courtyards, which provides a favourable condition for people using outdoor rotary drying racks as an alternative to tumble dryers. The proportion of outdoor rotary drying racks reached approximately 53.0% in 2020 in Australia. With the rapid population growth in Australia driven by increasing overseas immigration, it is expected that the demand for outdoor drying racks will continue to increase.

Drivers

Increasing number of household: The size of household in Australia has fallen steadily in past decades, with two-person households have become the most prevalent. As household necessity products such as drying racks are generally required by every single household, the demand for household cleaning tools is directly correlated with the number of household. The increasing trend in the number of households in Australia will widen the potential customer base and continue to stimulate the demand for drying racks.

Increasing dwelling units: According to the Australian Bureau of Statistics, the number of newly built dwelling units in Australia amounted to approximately 1,228.1 thousand between 2015 and 2020, representing an increase of approximately 31.0% compared to the period between 2009 and 2014. In the past three years, the number of newly built dwellings maintained approximately 200 thousand every year. Consumers nowadays prefer to purchase new batches of household necessity products such as drying racks instead of moving used ones from their original houses as these products are generally lower in value than other furnitures and fixtures. The increasing dwelling units drives demand for household necessity products, including drying racks.

Development of e-commerce: According to the Australian Bureau of Statistics, the e-commerce retail sales value in Australia increased from approximately AUD9.2 billion in 2015 to approximately AUD32.7 billion in 2020, representing a CAGR of approximately 28.9%. With increasingly responsive websites optimised for mobile devices, consumers can easily access a large variety of products, which drives the sales market of household necessity products in Australia.

The PRC

The PRC's economy has experienced significant growth over the past years, with its nominal GDP growing from approximately RMB69.2 trillion in 2015 to approximately RMB103.5 trillion in 2020, according to the National Bureau of Statistics of China ("**NBSC**"), representing a CAGR of approximately 8.4%. The PRC's nominal GDP is expected to experience long-term growth and reach approximately RMB153.0 trillion by 2025, representing a CAGR of approximately 7.8% from 2021 to 2025. From 2015 to 2020, the global production volume of drying racks increased from approximately 118.5 million to approximately 152.4 million, representing a CAGR of 5.2%. According to the UN Comtrade and CIC, in 2020, the PRC contributed a market share of approximately 48.0% of the global production volume of drying racks. The US was the biggest export destination for the PRC's drying racks in 2020, accounting for approximately 20.0% of the total export value of the PRC's drying racks in 2020. Germany and the UK came in a second and third with approximately 7.3% and 5.2%, respectively.

Top five destinations for China's drying racks export in terms of export value, 2020

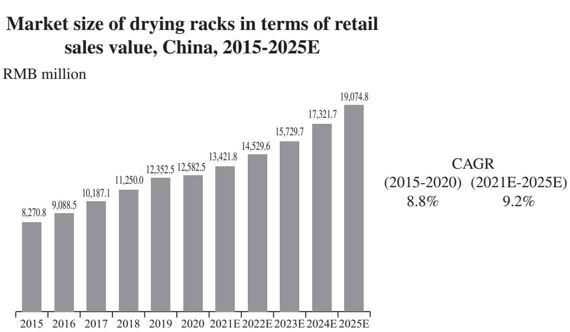
Source: CIC Report, UN Comtrade

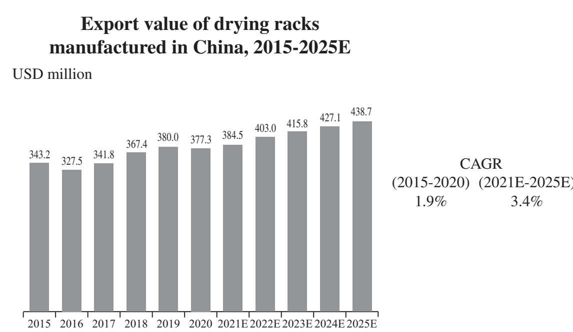
Laundry product market in China

Compared to most western countries, the laundry product market in China mainly focuses on products of smaller size due to space constraints of flats. People often do laundry, including washing and drying clothes, indoors or in their balconies. Therefore, foldable clothes hampers and hanger are relatively popular in China. Nevertheless, drying racks remain the largest product category and account for over half of the total retail sales value. According to the NBSC, the laundry product market in terms of retail sales value in China has grown from approximately RMB13,784.7 million in 2015 to approximately RMB21,326.3 million in 2020, and is expected to reach approximately RMB32,877.6 million in 2025, representing a CAGR of approximately 9.0% between 2021 and 2025.

Drying rack market in the PRC

Drying racks are common household necessity products that are mainly produced in the PRC. According to the UN Comtrade and CIC, the export value of drying racks in the PRC has grown from approximately USD343.2 million in 2015 to approximately USD377.3 million in 2020, representing a CAGR of approximately 1.9%.





Source: CIC Report, NBSC, UN Comtrade

According to the NBSC, in 2020, the retail sales value of drying racks was approximately RMB12,582.5 million in the PRC, increased with a CAGR of approximately 8.8% from 2015. It is expected that the market size of drying racks in terms of retail sales value will continue to increase and reach approximately RMB19,074.8 million in 2025, representing a CAGR of approximately 9.2% from 2021 to 2025.

Competitive landscape of the drying rack manufacturing market in the PRC

A majority of drying rack manufacturers are located in the Pearl River Delta, and Yangtze River Delta in the PRC, covering provinces of Guangdong, Jiangsu, Zhejiang, Shandong and Hebei. As at the end of 2020, there are approximately 600 drying rack manufacturers in the PRC, among which around 100 manufacturers also engage in export business. The top five players in the PRC's drying rack manufacturing market in terms of export revenue accounted for approximately 32.6% of market share.

Top five players in the drying rack manufacturing market in terms of export revenue, the PRC, 2020

Ranking	Company	Location of headquarters	Listing status	Approximate export revenue (RMB million)	Approximate market share
1	Company A	Foshan, Guangdong	Not listed	206.1	7.9%
2	**Our Group**	**Huzhou, Zhejiang**	**Not listed**	**173.0**	**6.6%**
3	Company B	Jiangyin, Jiangsu	Not listed	168.2	6.5%
4	Company C	Jiangyin, Jiangsu	Not listed	168.0	6.5%
5	Company D	Zhangjiagang, Jiangsu	Not listed	132.2	5.1%
	Sub-total			847.5	32.6%
	Others			1,754.9	67.4%
	Total			**2,602.4 (equivalent to approximately USD377.3 million)**	**100%**

Source: CIC report

Note:

Company A is committed to the R&D, production and export sales of home hardware products such as kitchenware products, washing and drying tools, and storage products, with more than 3,000 staff.

Company B specialises in the production and export sales of various types of drying racks and shelves, including indoor-outdoor drying rack, storage rack, storage wardrobes, cutlery and crockery shelve.

Company C mainly produces and exports stainless steel complex pipes and hangers in different specifications, such as indoor-outdoor drying rack, storage container, shoe rack, cloth wardrobe, etc.

Company D is committed to the manufacturing of various household frames made of stainless steel such as drying rack, kitchen rack, towel rack, and metal wardrobe.

THE HOUSEHOLD CLEANING TOOL MARKET

According to the general usage, household cleaning tools can be categorised into specialty cleaning tools and multi-purpose cleaning tools. Specialty cleaning tools are designed to work best on specific surfaces, while multi-purpose cleaning tools are designed for more general use.

Classification	Major usage	Major product type
Specialty cleaning tools	Glass cleaning	• Window squeegees
	Floor cleaning	• Brooms and Mops
	Toilet cleaning	• Toilet bowl brushes
Multi-purpose cleaning tools		• Brushes, sponges, dusters, gloves and buckets

The US

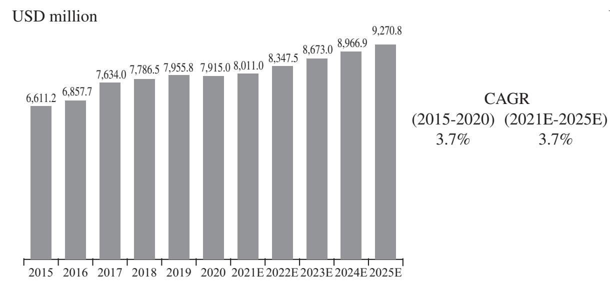
The US economy has experienced moderate growth over the past several years, with its nominal GDP growing from approximately USD18.2 trillion in 2015 to approximately USD20.8 trillion in 2020 according to the IMF, and is expected to sustain long-term growth to reach approximately USD25.8 trillion by 2025. The per capita disposable income in the US increased from approximately USD41,684 in 2015 to approximately USD47,675 in 2020, representing a CAGR of approximately 2.7%. This number is expected to reach approximately USD51,765 in 2025, representing a CAGR of approximately 2.6% from 2021 to 2025. According to the US Census Bureau, the total number of households in the US has increased from approximately 124.6 million in 2015 to approximately 128.5 million in 2020, representing a CAGR of approximately 0.6%. This is expected to grow to reach approximately 133.1 million in 2025, representing a CAGR of approximately 0.6% from 2021 to 2025.

Household cleaning tool market in the US

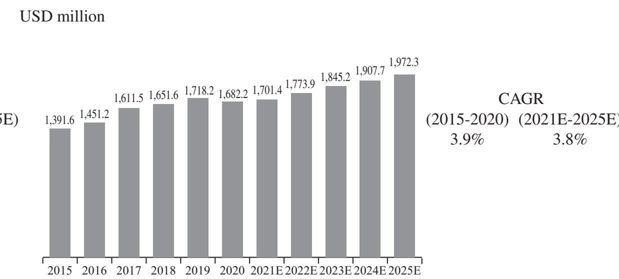
According to the Federal Reserve, the retail sales value of consumer goods in the US rose from approximately USD4,726.0 billion in 2015 to approximately USD5,636.7 billion in 2020, representing a CAGR of approximately 3.6%. Due to its large population and high-income level, the US has one of the highest retail sales values of consumer goods among all countries.

According to the US Census Bureau and CIC, the household cleaning tool market in the US accounted for approximately 15% to 20% of the global household cleaning tool market in terms of sales value in 2020. The household cleaning tool market in the US is a mature market with retail sales value of approximately USD7,915.0 million in 2020. The market is relatively fragmented with nearly 600 vendors. Most of the leading players have a long brand history and focus on the premium market. The top five household cleaning tool vendors contributed a total market share of approximately 25%. In 2020, the per capita annual expenditure on laundry and cleaning supplies for a US household was approximately USD190, where household cleaning tools expenditure constituted over 35% of this budget. Driven by the continuous increase in the number of household due to the expansion of population and the trend towards smaller household size, the market size of household cleaning tools, in terms of retail sales value, in the US rose from approximately USD6,611.2 million in 2015 to approximately USD7,915 million in 2020, representing a CAGR of approximately 3.7%. In the US, it is estimated that the outbreak of COVID-19 will lead to slight decrease in the retail sales value of household cleaning tools due to business disruption caused by the stay-home orders and the lockdown. However, on the basis that the lockdown measures will ease in 2021 and the use of household cleaning tools is for hygiene purpose, which has attracted more awareness after the outbreak of COVID-19, the market size of household cleaning tools is expected to recover from second half of 2021 onwards. The retail sales of household cleaning tools is expected to increase to approximately USD9,270.8 million in 2025, representing a CAGR of approximately 3.7% from 2021 to 2025, along the estimated continuous growth in the US per capita GDP and disposable income.

Market size of household cleaning tools in terms of retail sales value, the US, 2015-2025E



Import value of household cleaning tools, the US, 2015-2025E



Source: CIC Report, the US Census Bureau

According to the US Census Bureau and CIC, the import value of household cleaning tools in the US is estimated to increase from approximately USD1,391.6 million in 2015 to approximately USD1,682.2 million in 2020, representing a CAGR of approximately 3.9%. In 2020, the import value of household cleaning tools decreased due to the temporary decrease in retail sales value of household cleaning tools caused by the outbreak of COVID-19 and the disruption in foreign trading activities. The import value of cleaning tools is expected to reach approximately USD1,972.3 million in 2025, representing a CAGR of approximately 3.8% from 2021 to 2025. As the US has transferred most of the low-end manufacturing factories to other developing countries, household cleaning tools are primarily purchased from other countries. The PRC is the largest trading partner with the US, taking approximately 66% of the import value of cleaning tools in 2020.

Market drivers

Increasing number of households: As household necessity products such as household cleaning tools are commonly required by every single household, the demand for household cleaning tools is directly correlated with the number of household. The increasing trend in the total number of households in the US and the expansion of population will widen the potential customer base and continue to stimulate the demand for household cleaning tools.

Growth of household income and expenditure: According to the US Census Bureau, the median household income in the US has increased from approximately USD58,500 in 2015 to approximately USD62,200 in 2020, representing a CAGR of approximately 1.2%. The median household income in the US is expected to increase further and reach approximately USD70,200 in 2025, representing a CAGR of approximately 2.3% from 2021 to 2025. Household cleaning tools are essential household products and are replaced frequently as the efficacy of most household cleaning tools deteriorate over time and number of usage. As household income rises, people are more likely to replace their household cleaning tools more frequently and spend more on quality household necessity products to save their efforts and time on routine household tasks.

Development of e-commerce: With well-developed technology and logistic infrastructure, e-commerce has been an increasingly important sales channel in the US retail market. According to the US Census Bureau, the e-commerce retail sales value in the US increased from approximately USD345.0 billion in 2015 to approximately USD787.9 billion in 2020, representing a CAGR of approximately 18.0%. With the development of e-commerce, consumers can easily access a comprehensive range of household necessities and enjoy increasingly speedy delivery service, which drives the sales market of household necessity products in the US.

Features and trend

Brand recognition: The household cleaning tool market in the US is a mature market. Industrial leading players are all multinational conglomerates which have been founded for more than 50 years. A brand with a long history and good track record creates a competitive advantage.

Establishment of sales channels: Household cleaning tools are used in various fields of daily life of a large number of households. It is necessary for manufacturers to establish a wide and stable sales network in order to reach such large consumer base. New entrants have to invest a large amount of time and capital investment to develop cooperation with distributors or build self-owned sales channels.

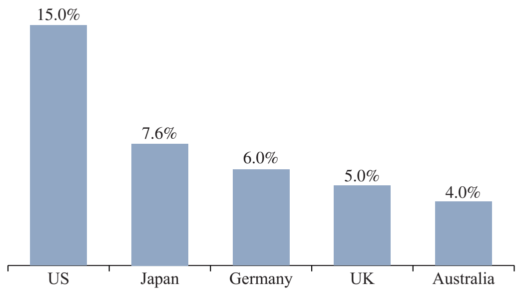
Reliable and responsive suppliers: Majority of household cleaning tool vendors outsource the production process to manufacturers overseas, especially in developing countries where manufacturers can provide products at a relatively low cost. It often takes years for companies to establish a good business relationship with reliable suppliers.

R&D capabilities: The appealing product design and improvement of product performance can help companies differentiate their products and attract customers. Also, the demand and preference of consumers are getting more diversified. High R&D capability is necessary for companies in order to meet customers' various needs. The cultivation of R&D capability requires accumulation of experience and significant capital investment.

The PRC

According to the UN Comtrade and CIC, the US was the biggest export destination for the PRC's cleaning tools in 2020, accounting for approximately 15.0% of the total export value of the PRC's cleaning tools in 2020.

Top five destinations for China's cleaning tools export in terms of export value, 2020

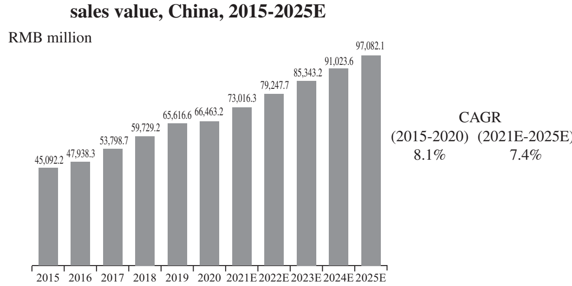


Source: *CIC Report, UN Comtrade*

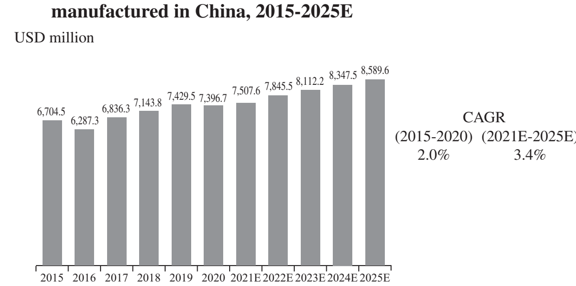
Household cleaning tool market in the PRC

With advantages in mature supply chain and relatively lower labour costs, according to the UN Comtrade and CIC, the export value of household cleaning tools in the PRC has grown from approximately USD6,704.5 million in 2015 to approximately USD7,396.7 million in 2020, representing a CAGR of approximately 2.0%.

Retail sales value of cleaning tools in terms of retail sales value, China, 2015-2025E



Export value of cleaning tools manufactured in China, 2015-2025E



Source: *CIC Report, NBSC, UN Comtrade*

According to the NBSC, the retail sales value of cleaning tools in the PRC increased from approximately RMB45,092.2 million in 2015 to approximately RMB66,463.2 million in 2020, representing a CAGR of approximately 8.1%. It is projected that the market size of cleaning tools in terms of retail sales value in the PRC will increase from 2021 to approximately RMB97,082.1 million in 2025, representing a CAGR of approximately 7.4%.

Competitive landscape of the PRC's household cleaning tool manufacturing market

The household cleaning tool manufacturing market is highly fragmented in the PRC. As at the end of 2020, there are approximately 8,000 household cleaning tool manufacturers in the PRC, among which more than 2,000 manufacturers also engage in export business. The top five players in the PRC's household cleaning tool market accounted for approximately 2.7% of the total market in terms of export revenue in 2020.

Top five players in the household cleaning tool manufacturing market in terms of export revenue, the PRC, 2020

Ranking	Company	Location of headquarters	Listing status	Approximate export revenue (RMB million)	Approximate market share
1	Company E	Jiaxing, Zhejiang	Not listed	396.1	0.8%
2	Company F	Guangzhou, Guangdong	Not listed	308.2	0.6%
3	Company G	Ningbo, Zhejiang	Not listed	232.2	0.5%
4	Company H	Ningbo, Zhejiang	Not listed	225.5	0.4%
5	Company I	Yongkang, Zhejiang	Not listed	212.5	0.4%
	Sub-total			1,374.5	2.7%
	Others			49,643.5	97.3%
	Total			**51,018.0 (equivalent to approximately USD7,396.7 million)**	**100%**

Source: *CIC report*

Note:

Company E is the leading household cleaning tool manufacturer with its own brand, integrating design, raw material and mould manufacturing, assembly, transportation and sales.

Company F provides high-quality household cleaning tools, with sales network throughout the country, Southeast Asia, Africa, Europe and other areas. Portfolio products include various kinds of cleaning tools, kitchen supplies and toiletries.

Company G specialises in the design, manufacturing and sales of household cleaning tools and has established broad sales network covering over 50 countries, providing various cleaning tools such as mop, brush, broom, sponge, duster, etc.

Company H is an export-oriented manufacturing enterprise engaged in the production and sales of household cleaning products and household items, such as mop, window cleaner, broom, trolley, etc.

Company I, as an export-oriented enterprise, specialises in mop manufacturing and has own-brand products. Major products include spin mop, flat mop and broom.

Analysis of drying rack and household cleaning tool manufacturing markets

Key Success factors

Broad sales channels: The establishment of broad sales channels is regarded as a critical factor of the success of drying rack and household cleaning tool manufacturers. The sales and marketing of drying racks and household cleaning tools to overseas markets mainly relies on the downstream distributors. Large distributors have stable and large sales volumes. Hence, a company with long term accumulation of distribution resources will have easier access to the downstream consumption market and will therefore maintain stable revenues, enabling it to be more competitive in the market.

Large manufacturing scale: A large manufacturing scale can increase the company's production efficiency, minimise operation costs, and maximise its overall profitability. Considering the nature of manufacturing drying racks and household cleaning tools, which are mainly cheap in price and large in volume, it remains a key success factor for manufacturers to develop large-scale production capabilities so as to benefit from economies of scale and to increase their competitiveness in the market.

High product quality: With the continuous improvement in living standard, product quality becomes increasingly important. Europe and North America account for the largest share of drying racks imports, where the requirements of drying rack quality are strict. Ability to produce high quality product enables companies to access different markets and achieve higher profit margins and customer loyalty, which are key to a company's success.

Market drivers

The PRC's "Belt and Road" initiative: The "Belt and Road" Initiative focuses on connectivity and cooperation between the PRC, Eurasian nations, and the Association of Southeast Asian Nations (ASEAN) members. To promote the trading cooperation between Asian and Oceania countries, the Regional Comprehensive Economic Partnership (RCEP) is proposed, which is a free trade agreement between Australia, China, Japan, New Zealand, South Korea and members of the Association of Southeast Asian Nations. The "Belt and Road" Initiative is expected to complement the RCEP, which would in turns promote trade and investment between the PRC and ASEAN, establish closer economic partnership and drive economic growth among participating countries. Furthermore, the China Railway Express, which is a railway that connects China with major European countries such as Germany, the UK, Russia, etc. is a symbolic project of the "Belt and Road" Initiative. It saves transportation time compared to ocean freight and transportation costs compared to air freight, which can significantly benefit trading activities and transportation of goods between China and European countries. The potentially massive increase of trade activities and stable relations among countries are expected to facilitate the growth of the PRC's export trading and boost the PRC's drying racks and household cleaning tool manufacturing markets.

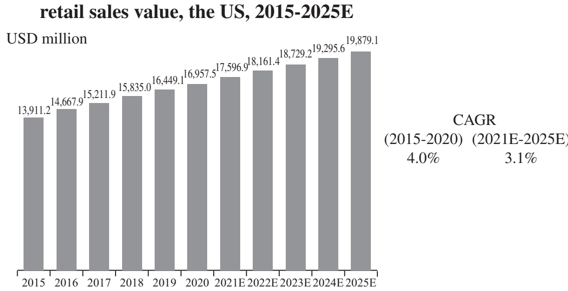
THE KITCHEN GADGET MARKET

A kitchen gadget is a small hand held tool used for food preparation, storage and serving.

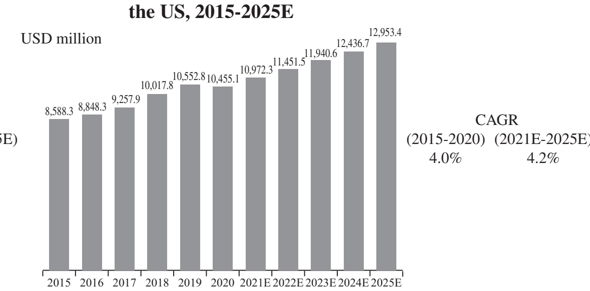
The kitchen gadget market in the US

The kitchen gadget market in the US is relatively stable and mature due to the high urbanisation rate, stable economic growth, and continuous growth of domestic consumption. The kitchen gadget market in the US is relatively dependent on import due to the transfer of labour-intensive manufacturing industry to other countries. According to the US Census Bureau and CIC, the import value of kitchen gadgets in the US has increased from approximately USD8,588.3 million in 2015 to approximately USD10,455.1 million in 2020, representing a CAGR of approximately 4.0%. In 2020, the import value of kitchen gadgets decreased temporarily due to the negative impacts in trading activities caused by the outbreak of COVID-19. The import value of kitchen gadgets is expected to reach approximately USD12,953.4 million in 2025, representing a CAGR of approximately 4.2% from 2021 to 2025.

Market size of kitchen gadgets in terms of retail sales value, the US, 2015-2025E



Import value of kitchen gadgets, the US, 2015-2025E



Source: CIC Report, US Census Bureau

According to the US Census Bureau and CIC, the market size of kitchen gadgets in terms of retail sales value in the US grew from approximately RMB13,911.2 million in 2015 to approximately RMB16,957.7 million in 2020, representing a CAGR of approximately 4.0%. It is estimated that the market size of kitchen gadgets in the US will grow from 2021 to approximately RMB19,879.1 million in 2025, representing a CAGR of approximately 3.1%.

Consumers generally pay more attention to brand, function and design. Consumers are increasingly demanding products that are multi-functional with stylish design, which fuels the demand for innovative kitchen gadgets. With this trend, consumers are more willing to buy a new product simply because its unique style appeals to their individuality. As a result, purchasing frequency may increase to rates faster than required by normal product replacement cycles.

The middle and high-end market of kitchen gadgets in the US is concentrated among a few brands, as they have advantages in the fields of product development, design and sales channel. Brand owners typically outsource their production to manufacturers in other countries with relatively lower production costs.

The kitchen gadget market in the PRC

In the PRC, consumers are becoming more aware of the importance of choosing products made by safe materials and thus are getting willing to pay more for better quality kitchen gadgets. In addition, the continuous improvement of living standard and ongoing urbanisation trend will continue to raise demand for better kitchen gadgets to be used for food preparation and storage.

Competitive landscape of the PRC's kitchen gadget manufacturing market

China is the largest kitchen gadget manufacturer and exporter. The kitchen gadget export market in China is fragmented with over 3,000 participants, and a majority of these participants are small enterprises with annual sales revenue below RMB100 million. Our Group's export revenue from kitchen gadgets accounted for approximately 0.003% of the market share in the kitchen gadget export market in the PRC.

Entry barriers

Established reputation: The reputation of a manufacturer signifies its ability to produce quality product and meet safety and environmental requirements. While establishing reputation and a proven track record helps companies attract larger customer bases and allows them to enjoy premium pricing and welcomed by downstream distributors, developing track record and reputation takes long time which becomes a barrier for new entrants.

A professional team: Labour shortages and the rising costs of raw materials will result in higher overall operating costs in the manufacturing industry. The management of both manpower and production costs remains an important factor when operating in the manufacturing business. It is not easy for new entrants to develop a professional team with the suitably diverse range of skills required for the industry.

Mature production management system: Due to the high variety of drying racks and household cleaning tools, it is necessary for manufacturers to have an advanced production management system, which enables manufacturers to make reasonable production plans according to market demand, effectively control the production schedule, inventory, quality and cost in the production process, and meet the requirements of marketing and R&D design with high efficiency. It is difficult for entrants to establish an advanced and comprehensive management system in a short period of time.

Future trends

Emerging demand for premium products: Since the function of cleaning products is relatively simple, product quality, aesthetic appeal and packaging have become key attributes to drive the sales of household cleaning products in developed countries. At the same time, premium products, usually with higher quality and prices, can bring more profit to the vendors.

Popularity of disposable products boost the production level: Consumers, especially young adults, have increasingly busy lifestyles. To meet their demands, products are designed to fulfil consumers' works at minimum effort, but are required to purchase its ancillary products as replacement refills over the lifespan of the product. The continuous demand for ancillary parts of the disposable household necessity products is expected to boost the production level and profitability of its manufacturers.

Increasing automation level: While drying racks and cleaning tools vary in shapes and materials, and most of the manufacturers in the PRC are not large enough in scale to invest in automated machinery and equipment such as robotic arms, it is not easy to establish and integrate automated production and assembly lines. With the rising labour cost, especially in the coastal area, more large-scaled manufacturers are expected to increase the automation level of the production and assembly line in order to reduce the labour cost.

Challenges

Trade war between the PRC and the US: The trade war is expected to adversely affect the trading activities between the PRC and the US, resulting in a potential deterioration in the PRC's economy.

Lack of well recognised brands in the PRC: In the PRC, the majority of products sold in grocery stores are poorly differentiated with low margins, while there are only a few premium household necessity products brands in the PRC. It is challenging for manufacturers to establish and market products under their own brand as the establishment of brand requires a long period of time and significant capital investment.

Increasing labour cost: the PRC's manufacturing cost advantage has narrowed significantly over the past five years due to the continuously increase of labour costs. The manufacturing industry in the PRC has confront the challenges of companies from other developing countries such as Vietnam and Mexico. Although some manufacturers have either moved the production plant to central regions of the PRC for lower labour cost, or integrated automated machinery and equipment, the rising labour cost remains a major challenge for manufacturers in the PRC.

Impact of the China-United States trade war

The US is one of the PRC's most important international trading partners, which accounted for approximately 13% of the PRC's total export and import value combined in 2020. The trade war between the PRC and the US imposed punitive duties on commodity products exported from mainland the PRC to the US and vice versa. On 1 September 2019, 15% duties on USD116 billion worth of Chinese goods went into effect. Goods affected include most of household cleaning tools, such as brushes, brooms and mop clothes. In the short term, the effects of trade war on exporters of household cleaning tools in the PRC may not be significant as more than 60% of household cleaning tools imported by the US are purchased from the PRC and it is difficult for the US companies to find substitutes in a short period of time which can provide competitive products. The industrial transfer from the PRC to other countries requires time and significant capital investment. Moreover, due to the product nature, the household cleaning tools are common household necessity products and a slight increase of price will not affect the sales of products. However, in the long run, the PRC-US trade war may force companies in the US to find new suppliers, which will weaken the competitiveness of Chinese exporters and accelerate the industrial transfer to other countries' manufacturers once they are able to improve in aspects that the PRC manufacturers currently have advantages of, such as well-developed infrastructure in transportation and logistics, skilled labour, readily available raw materials, low production cost and advanced production capabilities. At last, trading activity is an indispensable part of the modern social economic system. The PRC and the US signed the Economic and Trade Agreement between the Government of the People's Republic of China and the Government of the United States of America in January 2020. The trade war is developing in the direction of reconciliation.

Impact of the withdrawal of the UK from the EU on the laundry product market in the UK

On 23 June 2016, the UK held a referendum pursuant to which the UK electorate voted in favour of its withdrawal from the EU. Since 31 January 2020, the UK ceased to be a member of the EU. Whether or not the UK and the EU can reach a trade agreement before the last day of the transitional period may have significant impact on the UK local economy. However, considering that (i) the existence of a trade agreement between the UK and the EU and the potential subsequent impact on the UK local economy is expected to have minimal effect on the trade relations between the PRC and the UK; and (ii) as China has been the world factory for household necessities since the country entered into the World Trade Organisation in 2011, the majority of the drying racks in the UK, which is a common type of daily household necessity products, are supplied by the PRC manufacturers, even if there is a potential downturn of the UK local economy, such downturn will not affect the PRC's position as the UK's major supplier of drying racks.

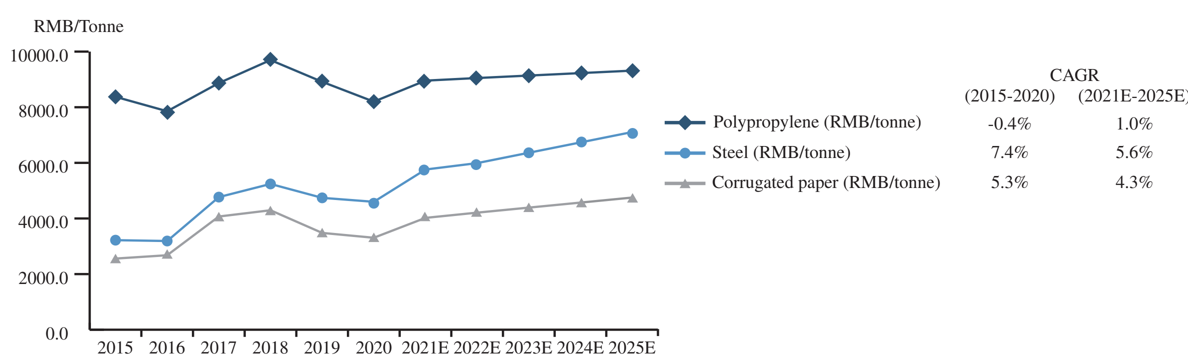
COST ANALYSIS OF THE PRC'S DRYING RACK AND HOUSEHOLD CLEANING TOOL MANUFACTURING MARKET

Prices of major raw materials

The major raw materials used in the drying rack and household cleaning tool manufacturing industry include polypropylene and steel. Raw materials and packaging materials generally account for the largest portion of manufacturing costs and thus any material fluctuation of the prices of raw materials and packaging materials will have a material influence on manufacturers' profitability.

The prices for raw materials are closely related to the prices for crude oil, iron ore and coals, which are also the fundamental elements of many raw materials such as polypropylene and steel. The price for crude oil dropped dramatically in 2015 and 2016 due to turmoil in Iraq and Libya, weak global economic activity, increased US shale oil production, etc., resulting in the relatively lower price of polypropylene in 2015 and 2016. The recovery of global economy in 2017 caused the increase in raw material prices. The price for polypropylene, which is a fundamental element of polypropylene resins, decreased from approximately RMB8,913.9 per tonne in 2019 to approximately RMB8,200.8 per tonne in 2020 driven by the dramatic decrease in crude oil price, and is expected to increase to approximately RMB9,315.8 per tonne in 2025, representing a CAGR of approximately 1.0% from 2021 to 2025. The average price for steel increased from approximately RMB3,219.8 per tonne in 2015 to approximately RMB4,599.4 per tonne in 2020. It is expected to increase to approximately RMB6,952.0 per tonne in 2025, representing a CAGR of approximately 5.6% from 2021 to 2025. The price for corrugated paper, a major raw material of carton boxes, was estimated to increase from approximately RMB4,021.6 per tonne in 2021 to approximately RMB4,751.5 per tonne in 2025, representing a CAGR of approximately 4.3% from 2021 to 2025.

Prices of major raw materials in household necessity products manufacturing industry, China, 2015-2025E

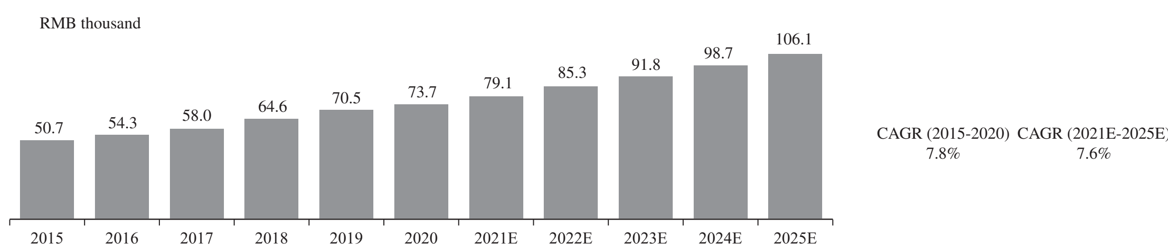


Source: CIC Report

Average annual salary for employees in manufacturing industry

The PRC's drying rack and household cleaning tool manufacturing industry is a labour-intensive industry. According to the NBSC, he average annual salary for workers in the manufacturing industry increased from approximately RMB50,700 to approximately RMB73,700 from 2015 to 2020, representing a CAGR of approximately 7.8%. In order to maintain the cost advantages, companies are vigorously integrating automation into their production processes. Although the increasing labour cost currently poses a challenge to manufacturers in the PRC, industrial upgrade and automation will lead to less reliance on human labour and help maintain the competitiveness of manufacturers of drying racks and household cleaning tools in the long run.

Average annual salary for employees in the manufacturing industry, China, 2015-2025E



Source: CIC Report, NBSC

OVERVIEW

During the Track Record Period, our Group had business operations in the PRC, Hong Kong and the UK and our customers were mainly located in the United States, the UK, Germany and Australia. A summary of the legal and regulatory frameworks that are applicable to our business operations are laid out in this section.

PRC LAWS AND REGULATIONS

Laws and regulations relating to establishment, operation and management of foreign-owned enterprises

Incorporation, Operation and Management of Wholly Foreign Owned Enterprises

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the "**SCNPC**") on 29 December 1993, came into effect on 1 July 1994, and last amended on 26 October 2018. The PRC Company Law also governs foreign-invested limited liability companies and joint stock limited companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall apply.

Investment activities in the PRC by foreign investors were governed by the Catalog of Industries for Guiding Foreign Investment (revised in 2017)* (《外商投資產業指導目錄(2017年修訂)》) (the "**Foreign Investment Catalog 2017**"), promulgated jointly by the MOFCOM and the National Development and Reform Commission (國家發展和改革委員會) (the "**NDRC**") on 28 June 2017, which divides industries into three categories, "encouraged", "restricted" and "prohibited", and the restricted and prohibited categories were prescribed in Negative List* (負面清單). The encouraged, restricted and prohibited categories in the Foreign Investment Catalog 2017 was repealed and replaced by the Industry Guidelines on Encouraging Foreign Investment (2020)* (《鼓勵外商投資產業目錄》(2020年版)》) and Special Administrative Measures (Negative List) for Foreign Investment Access (2020) (《外商投資准入特別管理措施(負面清單)》(2020年版)). The Negative List has no restrictions on our business in the PRC, and our PRC subsidiary has been operating in the industries which are permitted.

On 15 March 2019, the National People's Congress promulgated the Foreign Investment Law (《外商投資法》), which came into effect on 1 January 2020 and replaced the Sino-foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》) and the Wholly Foreign-invested Enterprise Law (《外資企業法》), together with their implementation rules and ancillary regulations. The existing foreign-invested enterprises established prior to the effectiveness of the Foreign Investment Law, may keep their corporate forms within five years. The implementing rules of the Foreign Investment Law, will be stipulated separately by State Council. Pursuant to the Foreign Investment Law, "foreign investors" means natural person, enterprise, or other organisation of a foreign country, "foreign-invested enterprises" (the "**FIEs**") 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 PRC.

The Foreign Investment Law stipulates, that China implements the management system of pre-establishment national treatment plus a negative list to foreign investment and 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. When a licence is required to enter a certain industry, the government must treat the application as same as one by a domestic enterprise, except where laws or regulations provide otherwise.

The State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》) on 26 December 2019, which came into effect on 1 January 2020. In the meanwhile, the MOFCOM and the State Administration for Market Regulation (國家市場監督管理總局) (the "**SAFMR**") issued the Measures for the Reporting of Foreign Investment Information* (《外商投資信息報告辦法》) on 30 December 2019, which came into effect on 1 January 2020. Since 1 January 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

Laws and regulations relating to production safety

Production Safety

Work Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Work Safety Law**") was promulgated by the SCNPC on 29 June 2002, came into effect on 1 November 2002 and last amended on 10 June 2021. According to the Work Safety Law, business entities shall meet the work safety conditions prescribed by relevant laws, administrative regulations, and national or industry standards, set aside and use work safety expenses exclusively for improving work safety conditions. Violations of the Work Safety Law may result in the imposition of fines and penalties, the suspension of operation, an order to cease operation, and/or criminal liability in severe cases. In addition, production and operation entities shall supply their employees with protective articles that meet national or industrial standards and instruct them to wear or use such articles as required.

Occupational Disease Prevention and Control

According to the Law of the PRC on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) promulgated by the SCNPC on 27 October 2001, became effective on 1 May 2002 and last amended on 29 December 2018. The employer shall create the working environment and conditions that conform to the national norms for occupational health and requirements for public health, provide protection facilities. The employer shall establish and improve the occupational health management system, and regularly conduct inspection and evaluation of occupational disease hazards in the workplace in accordance with the regulations of the health administrative department of the State Council.

Fire Safety

The Fire Prevention Law of the PRC (《中華人民共和國消防法》), promulgated adopted on 29 April 1998, became effective on 1 September 1998 and last amended on 29 April 2021 by SCNPC, specifies fire prevention safety responsibilities that should be abided by enterprises, including without limiting the following matters: (i) implement the fire prevention safety responsibility system; (ii) formulate the fire safety regulations, operating rules and firefighting and emergency evacuation plans; (iii) deploy firefighting facilities and equipments; (iv) set up fire safety signs and organise inspection and maintenance at regular intervals to ensure their proper functioning; (v) conduct a comprehensive inspection of firefighting facilities at least once a year to ensure their proper functioning; (vi) the inspection records shall be complete and accurate and shall be archived for the supervision purpose; guarantee that evacuation passages, safety exits and fire truck passages are kept clear and fire and smoke compartmentation as well as fire separation distance meet the relevant fire protection technical standards; (vii) organise fire protection inspections in order to eliminate any potential fire risks in time; and (viii) organise target specific fire drills.

Laws and regulations relating to environmental protection

Environmental Protection

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated and effective on 26 December 1989 and last amended on 24 April 2014 by the SCNPC, the government shall implement the pollutant discharge licence administration system. Enterprises, institutions and other manufacturing operators subject to pollutant emission licence administration shall discharge pollutants in accordance with the requirements of the pollutant discharge permit. Any entity operating a facility that produces pollutants or other hazardous materials must adopt environmental protection measures in its operations, and establish an environmental protection responsibility management system. In the event that an entity discharges pollutants in violation of the pollutant discharge standards or volume control requirement, the entity would be subject to administrative penalties, including order to suspend business for rectification, and even order to terminate or close down business under severe circumstances.

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), promulgated on 28 October 2002 and last amended on 29 December 2018, prior to the commencement of construction of the relevant project, manufacturers must prepare environmental impact study report which set forth the impacts on the environment caused by the proposed construction project and measures for preventing or mitigating the impacts and obtain the approval in respect of the report from the government authority.

Pollutant Discharge Permit

According to the Regulations on the Administration of Pollutant Discharge Permits* (《排污許可管理條例》) promulgated on 24 January 2021 and implemented on 1 March 2021, enterprises, institutions and other producers and operators that implement the management of pollutant discharge permits in accordance with the law shall apply for pollutant discharge permits in accordance with the provisions of these regulations; no pollutant shall be discharged without obtaining a pollutant discharge permit. According to the amount of pollutants produced, discharged and the degree of impact on the environment and other factors, the pollutant discharge permit classification management is implemented for pollutant discharge units. Enterprises, institutions and other producers and operators with very small pollutant production, discharge and environmental impact procedures shall fill in the pollutant discharge registration form and do not need to apply for pollutant discharge permits.

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation)* (《排污許可管理辦法(試行)》) promulgated on 10 January 2018 by Ministry of Environmental Protection (now known as Ministry of Ecology and Environment) and amended on 22 August 2019, the Ministry of Environmental Protection shall develop and issue a classification administration list of pollutant discharge permitting for fixed pollution sources and shall specify the scope under pollutant discharge permitting administration and the application time limit, and the enterprises, public institutions and other producers and operators on the list shall apply for and obtain a pollutant discharge permit according to the prescribed application time limit.

Pursuant to the classification Administration Catalog of Discharge Permits of Stationary Pollution Sources (2017 Version)* (《固定污染源排污許可分類管理名錄(2017年版)》), the implementation period of pollutant discharge permit for metal surface treatment and heat processing industry* (金屬表面處理及熱處理加工行業) would be 2020. And pursuant to the classification Administration Catalog of Discharge Permits of Stationary Pollution Sources (2019 Version)* (《固定污染源排污許可分類管理名錄(2019年版)》), all manufacturing companies will be reclassified and re-registered according to the amounts of pollutant emission and some companies with low pollutant emission will be exempted from the requirement of obtaining pollutant discharge permit. According to our PRC Legal Advisers, BHP Zhejiang has obtained stationary pollutant sources discharge registration receipt* (固定污染源排污登記回執) from Huzhou City Ecology and Environment Bureau, Deqing Branch* (湖州市生態環境局德清分局) on 8 July 2020.

Laws and regulations relating to production quality

Product Quality

Product quality supervision in the PRC is generally governed by the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), which was promulgated on 22 February 1993 and last amended on 29 December 2018. Producers and sellers shall be liable for product quality in accordance with the Product Quality Law. The State implement a system of supervision and inspection of product quality, based mainly on a random inspection of products. Producers and sellers must not refuse product quality supervision and inspection that is carried out in accordance with law. Under the Product Quality Law, consumers or other victims who suffer personal injury or property damage due to product defects may claim compensation from the producers as well as the sellers. In case of violations of the Product Quality Law, the responsible authorities have the right to impose fines on the violators, order them to suspend operation and revoke their business licences. In serious cases, even criminal liability may be incurred.

Right and Interests of Customers

The PRC Law on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) of 1993, as last amended on 25 October 2013, or the Consumers Protection Law, provides further protection to the legal rights and interests of consumers in connection with the purchase or use of goods and services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the last amendment, all business operators shall pay high attention to protect the customers' privacy and strictly keep it confidential any consumer information they obtain during the business operation. In addition, in extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties. Pursuant to the Consumers Protection Law, a consumers' association was established to handle consumers' complaints and assist consumers. The Consumers Protection Law also detailed the compensation consumers and certain third parties are entitled to when property damage or physical injury is incurred.

Tort Law

In addition, the PRC Tort Law (《中華人民共和國侵權責任法》) of 2010, or the Tort Law, establishes a separate chapter regarding product liability. Compared to other laws, rules and regulations in relation to product liability, the Tort Law expressly provides that, in the event of death or serious personal injuries caused by defective products, the entity that manufactures and distributes such defective products as to which such entity is clearly aware of the existence of such defects, such entity may be subject to punitive damages in addition to compensatory damages. The Civil Code of the People's Republic of China (《中華人民共和國民法典》), adopted by the

National People's Congress on May 28, 2020 and implemented on January 1, 2021, also makes the above-mentioned provisions on product liability infringement. After the implementation of the Civil Code of the People's Republic of China, the Tort Law shall be repealed at the same time.

Laws and regulations relating to import and export of goods

Foreign Trade

Pursuant to Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated on 12 May 1994 and last amended on 7 November 2016 as well as the Measures on Filing Registration on Foreign Trade Operators* (《對外貿易經營者備案登記辦法》) promulgated on 25 June 2004 and last amended on 10 May 2021, foreign trade operators engaged in the import and export of commodities or technologies shall be filed and registered with the competent department of foreign trade under the State Council or an institution entrusted by it, except those exemptions according to the laws, administrative regulations and rules of the competent department of foreign trade under the State Council. Foreign trade operators failing to go through relevant filing and registration formalities accordingly shall not be permitted to proceed to declaration and Clearance at the Customs.

Custom duties

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated on 22 January 1987 and last amended on 29 April 2021, consignees and consigners of import or export commodities may go through declaration formalities on their own or entrust an agent to do so for them on the condition that both the said consignees and consigners and agents entrusted with such declaration formalities have been legally registered with the Customs.

Pursuant to the Provisions on Administration of Registration of Customs Declaration Entities of the PRC* (《中華人民共和國海關報關單位註冊登記管理規定》) promulgated on 13 March 2014 and last amended on 29 May 2018, customs declaration entities shall be registered with the Customs in accordance with these provisions unless otherwise prescribed by laws, administrative regulations or customs rules. The registration of customs declaration entities includes the registration of customs declaration enterprises and the registration of the consignees or consignors of imported/exported goods. A customs declaration enterprise may not provide customs declaration services until it has obtained a registration licence from the local customs office directly under the General Administration of Customs or a subordinate customs office authorised by it. A consignee or consignor of imported/exported goods may directly go through the registration procedure at the local customs office. According to our PRC Legal Advisers, BHP Zhejiang has obtained the registration certificate of customs declaration unit.

Import and Export Commodity

Pursuant to the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) promulgated on 21 February 1989 and last amended on 29 April 2021, and the Regulations for the Implementation of the Law of the PRC on Import and Export Commodity Inspection* (《中華人民共和國進出口商品檢驗法實施條例》) promulgated on 23 October 1992 and last amended on 2 March 2019, the General Administration of Customs and its local inspection and quarantine branches are in charge of the inspection of imported and exported commodities nationwide and locally respectively.

Laws and regulations relating to labour and social security

Labour Law

Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》), promulgated on 5 July 1994 and last amended on 29 December 2018, employers should enter into labour contracts with their employees. The policy of the wages shall be paid according to the performance, equal pay for equal work. Lowest wage protection and special labour protection for female workers and juvenile workers shall be implemented. Employers are also required to pay for their employees' social insurance premiums. These payments are made to local administrative authorities and an employer who fails to contribute may be fined and be ordered to make up for the outstanding contributions.

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on 29 June 2007 and last amended on 28 December 2012, and the Implementation Rule of the Labour Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》) promulgated on 18 September 2008 both set out specific provisions in relation to the execution, the terms and the termination of an employment contract and the rights and obligations of the employees and employers. At the time of hiring, the employer shall truthfully inform the employee the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employee requests to be informed about.

Pursuant to the Interim Provisions on Labour Dispatch* (《勞務派遣暫行規定》) which came in to effect on 1 March 2014, if the number of despatched staff utilised by an employer exceeds 10% of the total number of its workers prior to the effective date of these Provisions, such employer shall develop a scheme for employment adjustments to reduce the proportion to the specified level within 2 years from the effective date of these Provisions. According to the Labour Contract Law of the PRC, an employer who violates any provisions of this Law on labour despatch and be ordered by the labour administrative department to make rectification within a prescribed time limit, if the employer fails to make rectification within the prescribed time limit, will be fined RMB5,000 up to RMB10,000 per employee exceeding the 10% statutory threshold.

Social Insurance and Housing Provident Funds

The PRC social insurance system is mainly governed by the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on 28 October 2010, amended on 29 December 2018 and became effective on 29 December 2018, the Interim Regulation on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on 22 January 1999 and last amended on 24 March 2019; the Decision of the State Council on Establishing a Unified System of the Basic Pension Insurance for Enterprise Employees* (《國務院關於建立統一的企業職工基本養老保險制度的決定》), which was promulgated and effective on 16 July 1997; the Circular on Relevant Issues concerning the Improvement of the Basic Pension Insurance Policy for Urban Employees* (《關於完善城鎮職工基本養老保險政策有關問題的通知》), which was promulgated and effective on 22 December 2001; the Regulation on Work-related Injury Insurance* (《工傷保險條例》), which was promulgated by the State Council on 27 April 2003 and amended on 20 December 2010; the Regulation on Unemployment Insurance* (《失業保險條例》), which was promulgated and effective on 22 January 1999; the Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees* (《國務院關於建立城鎮職工基本醫療保險制度的決定》), which was promulgated and effective on 14 December 1998; the Circular on the Issuance of Provisions on the Administration of Basic Medical Insurance for Urban Employees* (《勞動和社會保障部關於印發城鎮職工基本醫療保險業務管理規定的通知》), which was promulgated and effective on 5 January 2000, and the Notice on Issuing the Trial Measures on Maternity Insurance for Enterprise Employees* (關於發佈《企業職工生育保險試行辦法》的通知), which was promulgated on 14 December 1994 and effective on 1 January 1995.

Pursuant to the Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》) which was promulgated by the State Council and came into effect on 3 April 1999 and was last amended on 24 March 2019, all business entities (including foreign invested enterprises) are required to register with the local housing provident funds management centre and then maintain housing fund accounts with designated banks and pay the related funds for their employees. In addition, for both employees and employers, the payment rate for housing provident fund shall not be less than 5% of the average monthly salary of the employees in the previous year. The payment rate may be raised if the employer so desires.

Laws and regulations relating to intellectual property rights

Patent Law

The Patent Law of the PRC (《中華人民共和國專利法》) was promulgated on 12 March 1984, became effective on 1 April 1985, and last amended on 17 October 2020 which came into effect on 1 June 2021. According to such law, "invention-creations" means inventions, utility models or designs. An inventions or utility models for which a patent is to be granted shall be novel, inventive and practically applicable. Without permission of the patentee, no individual or entities may exploit the patent.

Trademark Law

The PRC Trademark Law (《中華人民共和國商標法》) was promulgated on 23 August 1982 and effective on 1 March 1983, last amended on 23 April 2019 by the SCNPC. The PRC Trademark Implementing Regulations* (《中華人民共和國商標法實施條例》) was promulgated by the State Council on 3 August 2002, became effective on 15 September 2002 and amended on 29 April 2014 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 needing 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 Law

The Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**"), which was promulgated on 7 September 1990 and last amended on 11 November 2020, works of Chinese citizens, legal entities or other organisations, whether published or not, shall enjoy copyright in accordance with the Copyright 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."

Internet Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names* (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and 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 could be used to commit any illegal act.

Laws and regulations relating to overseas investment

Enterprise Oversea Investment

Pursuant to the Administration Measures of Overseas Investment* (《境外投資管理辦法》), promulgated by the MOFCOM on 16 March 2009, last amended on 6 September 2014 and became effective on 6 October 2014, overseas investments refer to the ownership of non-financial enterprises abroad or acquisition of the ownership of, control over, business management right of, or other rights and interests of existing overseas non-financial enterprises by enterprises established in the PRC through new establishment or mergers and acquisitions or other methods. Other than the overseas investments involving sensitive countries, regions or sensitive industries which are subject to approval, all other overseas investments are subject to filing administration.

Pursuant to the Administrative Measures for the Outbound Investment by Enterprises* (《企業境外投資管理辦法》) promulgated by the NDRC on 26 December 2017 and became effective on 1 March 2018, projects subject to filing are non-sensitive projects directly carried out by investors, namely the non-sensitive projects involving the direct investment of assets and equities or the provision of financing or guarantees. For a project requiring filing, the authority in charge of filing is (i) the NDRC, if the investor is a centrally administered enterprise (a centrally administered financial enterprise or an enterprise directly subordinate to the administration by the State Council or its subordinate organ, the same below); (ii) the NDRC, if the investor is a local enterprise and the amount of Chinese investment is USD 0.3 billion or above; and (iii) the provincial development and reform authority at the place where the investor is registered, if the investor is a local enterprise and the amount of Chinese investment is less than USD 0.3 billion.

Laws and regulations relating to foreign exchange

Foreign Exchange

Foreign exchange control in the PRC is mainly regulated by the Regulations of the PRC on the Management of Foreign Exchange* (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996, and last amended on 5 August 2008. According to the aforesaid regulations, RMB can be freely exchanged into foreign currency for payments under current accounts (such as foreign exchange transactions in relation to trade and service and dividends payment), but approval from the relevant foreign exchange administration shall be obtained before the exchange of RMB into foreign currency under capital accounts (such as direct investment, loan or stock investment outside the PRC).

SAFE Circulars

Pursuant to the Circular 19, foreign-invested enterprises in the PRC may, according to their business demands, settle with a bank the portion of the foreign exchange capital in their capital accounts for which the local foreign exchange bureau has confirmed capital contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution), and the portion allowed to be settled by a foreign-invested enterprise is tentatively 100%. Furthermore, where foreign-invested enterprises are engaging in equity investment in the PRC, they shall comply with the regulations on reinvestment within the territory of the PRC.

On 4 July 2014, the SAFE promulgated the Circular 37. According to the Circular 37, PRC domestic residents, including both PRC domestic institutions and PRC domestic individual residents, shall register with their local SAFE branch before establishing or acquiring control of an overseas special purpose company with the domestic or overseas assets or equity they legally hold for the purpose of investment and financing and conducting round-trip investment in the PRC. The foreign-invested enterprise established as a result of round-trip investment shall go through relevant foreign exchange registration pursuant to the prevailing provisions on the foreign exchange administration of foreign direct investment, and truthfully disclose the actual controllers of its shareholders and other relevant information.

On 19 November 2012, the SAFE promulgated the Circular 59. SAFE Circular 59 substantially amends and simplifies the current foreign exchange procedure, that approval is not required for the opening of an account or deposit for foreign exchange accounts under direct investment. Reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment) no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer requires SAFE's approval.

Laws and regulations relating to tax

Enterprise income tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), promulgated by the SCNPC on 16 March 2007, became effective on 1 January 2008 and last amended on 29 December 2018, the income tax rate for resident enterprises is 25% commencing from 1 January 2008 (with certain exceptions for qualified enterprises). In order to clarify certain provisions in the EIT Law, the State Council promulgated the Implementation Rules on 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 "**EIT Implementation Rules**"), promulgated on 6 December 2007, became effective on 1 January 2008, and last amended on 23 April 2019. Pursuant to the EIT Law and the EIT Implementation

Rules, non-resident enterprises which have not established agencies or offices in PRC, or which have established agencies or offices in PRC but whose income has no association with such agencies or offices, shall pay enterprise income tax on its income earned from inside PRC, and such income of non-resident enterprises shall be taxed at the reduced rate of 10% and shall be withheld at source, for which the payer thereof shall be the withholding agent.

Non-resident Enterprises Taxation Arrangement

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for Avoidance of Double Taxation and Prevention of Tax Evasion* (《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》) promulgated by the State Administration of Taxation (the "**SAT**") on 21 August 2006, the tax rate on dividends declared by a PRC resident enterprise to a Hong Kong resident enterprise is no more than 5%, if the Hong Kong resident enterprise holding at least 25% of the PRC enterprise.

On 14 October 2019, the SAT released the Announcement of State Taxation Administration on Promulgation of 'the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits'* (《國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告》 (the "**2020 Measures**"), which came into effect on 1 January 2020. According to the 2020 Measures, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of "self-assessment, claiming benefits, retention of the relevant materials for future inspection". Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials pursuant to the provisions of the 2020 Measures for future inspection, and accept follow-up administration by the tax authorities.

Pursuant to the Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises* (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) promulgated on 17 October 2017, became effective on 1 December 2017 and last amended on 15 June 2018, when the withholding agent enters into a business contract with a non-resident enterprise in relation to income derived from or accruing in the PRC, where the non-resident enterprise has no office or premises established in the PRC or the income derived or accrued has no de facto relationship with the office or premises established, if the contract stipulates that the withholding agent shall bear the tax payable amount, the tax-exclusive income amount derived by the non-resident enterprise shall be converted to tax-inclusive income amount and the tax withheld shall be turned over.

Value-added tax (VAT)

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》), promulgated by the State Council on 13 December 1993 and last amended on 19 November 2017; 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 Ministry of Finance on 25 December 1993, last amended on 28 October 2011, and became effective on 1 November 2011. sale of goods, provision of processing, repair and replacement services and import and export of goods within the PRC are subject to value-added tax (the "**VAT**"). VAT payable is calculated as output VAT minus input VAT. For taxpayers selling the prescribed goods and services, the VAT rate shall be 17%, selling agricultural products, publications and other goods stipulated by the State Council, the VAT rate shall be 11%. For export goods, the VAT rate shall be zero, unless otherwise stipulated by the State Council.

According to the Notice of the Ministry of Finance and the SAT on the Value-Added Tax and Consumption Tax Policy for Labor Services of Exported Goods* (《財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知》) issued by Ministry of Finance and the SAT on 25 May 2012 and revised on 9 December 2014, export enterprises other than export goods and services mentioned in Article 6 and 7 of this Notice that are subject to the VAT exemption and value-added tax policies (refers to the units that handle industrial and commercial registration, tax registration, foreign trade operator filing registration according to law, and self-operate or entrust export goods), their export goods and services are subject to the exemption and refund of value-added tax policies. Except for the VAT export tax rebate rate specified by the Ministry of Finance and the SAT in accordance with the decision of the State Council, the export tax rebate rate of export goods is its applicable tax rate. Pursuant to Measures for the Administration of Value Added Tax and Consumption Tax on Export Goods and Services* (《出口貨物勞務增值稅和消費稅管理辦法》) issued by the PRC tax authority on 14 June 2012, the deadline for export tax rebate application* (免抵退稅申報表) falls on 30 April of the next calendar year of the year in which the goods were exported.

According Notice of the Ministry of Finance and the SAT on the Adjustment to 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》), promulgated on 4 April 2018, and became effective on 1 May 2018, the VAT rates of 17% and 11% applicable to taxpayers engaging in the sale or import of goods shall be adjusted to 16% and 10% respectively. For export goods that originally applied a 17% tax rate and an export tax rebate rate of 17%, the export tax rebate rate is adjusted to 16%; for export goods and cross-border taxable acts that originally applied a 11% tax rate and an export rebate rate of 11%, the export tax rebate rate is adjusted to 10%.

According to the Notice of the Ministry of Finance and the SAT on the Adjustment to Export Tax Rebate Rate for Certain Products* (《財政部、國家稅務總局關於調整部分產品出口退稅率的通知》) promulgated on 22 October 2018, and became effective on 1 November 2018, the export tax rebate rate of value-added tax on certain products were adjusted, the export tax rebate rate for plastic products and other products were increased to 16%, and the export tax rebate rate for some metal products and other products were increased to 13%. Except for the products covered in Articles 1 and 2 of this notice, the remaining export products, if the original export tax rebate rate is 15%, the export tax rebate rate will be increased to 16%; if the original export tax rebate rate is 9%, the export tax rebate rate will be increased to 10%; if the original export tax rebate rate is 5%, the export tax rebate rate will be increased to 6%.

Pursuant to the Announcement on Deepening the Policies Related on VAT Reform* (《關於深化增值稅改革有關政策的公告》) issued jointly by Ministry of Finance, SAT and General Administration of Customs on 20 March 2019 with effect from 1 April 2019 (the "**Downward Adjustment Policy**"), the VAT rates of 16% and 10% applicable to taxpayers engaging in the sale or import of goods shall be adjusted to 13% and 9% respectively. For export goods and services that originally applied a 16% tax rate and an export tax rebate rate of 16%, the export tax rebate rate is adjusted to 13%; for export goods and cross-border taxable acts that originally applied a 10% tax rate and an export rebate rate of 10%, the export tax rebate rate is adjusted to 9%. While the Downward Adjustment Policy came into effect on 1 April 2019, it specifies that, subject to scrutiny of the PRC tax authority, a corporate entity adopting the exempt-offset-refund method* (免抵退稅辦法) is eligible for a grace period of three months from April to June 2019 within which, the original rate of rebate before the implementation of the Downward Adjustment Policy would continue to be applicable.

According to the Announcement of the Ministry of Finance and the SAT on Increasing the Export Tax Rebate Rate for Certain Products* (《財政部、國家稅務總局關於提高部分產品出口退稅率的公告》) promulgated on 17 March 2020 and became effective on 20 March 2020, the export tax rebate rate of value-added tax on certain products were adjusted, the export tax rebate rate of 1,084 products such as porcelain sanitary ware were increased to 13%; the export tax rebate rate of 380 products such as plant growth regulators were increased to 9%.

Details of on the laws and regulations on transfer pricing in PRC

According to the PRC EIT Law, the EIT Implementation Rules (the "**EITIR**"), Law of the PRC Concerning the Administration of Tax Collection* (《中華人民共和國稅收徵收管理法》) and Detailed Rules for the Implementation of the Law of the PRC on the Administration of Tax Collection* (《中華人民共和國稅收徵收管理法實施細則》), related party transactions should comply with the arm's length principle and if the related party transactions fail to comply with the arm's length principle and results in the reduction of the enterprise's taxable income, the tax authority are entitled to make a special adjustment within 10 years from the taxpaying year when the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form* (年度關聯業務往來報告表) to the tax authority.

OTHER LAWS AND REGULATIONS

During the Track Record Period, we exported our products to countries including the United States, the UK, Germany and Australia. Consequently, our products will have to comply with certain laws and regulations in relation to, among others, product safety, product liability, import duties/tariff, consumer protection, intellectual property rights and anti-dumping regulations, etc. According to our legal advisers as to the laws and regulations of the United States, the UK, Germany and Australia, a summary of laws and regulations which are relevant to our Group's sales are set out as follows:

UNITED STATES LAWS AND REGULATIONS

Laws and regulations relating to product safety and products liability

Product Safety

Enacted in 1972, the Consumer Product Safety Act ("**CPSA**") is the umbrella statute that established and defined the authority of the Consumer Product Safety Commission ("**CPSC**"). The CPSA authorises the CPSC to develop safety standards, pursue recalls and ban products under certain circumstances. Pursuant to this authority, the CPSC has promulgated a series of regulations that it enforces under the CPSA. In 2008, the Consumer Product Safety Improvement Act ("**CPSIA**") was enacted, which provided the CPSC with significant new regulatory and enforcement tools.

Section 14 of the CPSA provides that imported consumer products are required to bear certificates certifying compliance with applicable rules, bans, regulations, and standards. According to Section 17 of the CPSA, consumer products that fail to comply with relevant safety rules or are not accompanied by the required certificate will be refused admission into the United States. The CPSA provides for civil and criminal penalties with respect to violations of the Act.

In addition, the CPSA contains several reporting requirements for manufacturers of consumer products sold in the United States. Section 15(b) of the CPSA requires manufacturers to notify the CPSC within 24 hours of obtaining information that one of their products (1) fails to comply with applicable consumer product safety rules, (2) contains certain defects, or (3) creates an unreasonable risk of serious injury or death. The CPSC may require the manufacturer to cease distribution of the affected product and notify persons to whom the product was sold or distributed of such non-compliance, defects or risk. In certain circumstances, the CPSC may require the manufacturer to bring the product into conformity with the applicable rules, repair the defect in the product, replace the product with an equivalent product that complies with the relevant rules, effect a product recall and/or refund the purchase price of the product.

Additionally, Section 37 of the CPSA requires a manufacturer to report to the CPSC any model of a consumer product that is the subject of at least three civil actions filed in Federal or State court for death or grievous bodily injury that result in final settlement involving the manufacturer or a court judgement in favour of the plaintiff within a specified 24-month period.

Many (but not all) states have also enacted very broad consumer protection statutes that provide remedies for consumers who have been injured as a result of businesses' fraudulent, deceptive or unfair practices. The available remedies often include treble damages and an order that places restrictions on the future conduct of the company.

Products liability

There is no federal products liability law. Although differences do exist, the vast majority of states have adopted products liability laws that share the common principles discussed below. Parties involved in manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect in that product. There are three types of product defects: design defects, manufacturing defects and warning/marketing defects. Product liability claims may be based on negligence, strict liability or breach of warranty. In a negligence claim, a defendant may be held liable for personal injury or property damage caused by the failure to use due care. Strict liability claims, however, do not depend on the degree of care that the defendant used. The defendant is liable when it is shown that an injury (to a person or to property) occurred as the result of a product defect. Breach of warranty is also a form of strict liability in the sense that a showing of fault is not required. The plaintiff need only establish the warranty was breached, regardless of how that came about. A company that manufactures, distributes or sells a product in a particular state would be subject to such state's product liability laws, whether the company's jurisdiction of incorporation or principal place of business is in that state, in another US state or in a non-US jurisdiction.

Laws and regulations relating to imports

Custom duties

Our shipments of products to the United States are subject to inspection and compliance with relevant laws, regulations, and rules administered by US Customs and Border Protection. US Customs and Border Protection ("**CBP**") is a federal law enforcement agency, and a subdivision of the United States Department of Homeland Security that is responsible for regulating and facilitating international trade, collecting import duties, and enforcing US trade and customs regulations, including those applicable to the importation of our products into the United States. An importer of record for products imported into the United States is ultimately responsible for the completeness and correctness of the entry documentation presented to CBP and payment of all applicable duties, taxes and fees. Our products are mainly sold on a FOB basis as such terms are defined in the 2020 version of Incoterms, or International Commercial Terms, a series of pre-defined commercial terms published by the International Chamber of Commerce relating to international commercial law, and commonly used in connection with cross-border shipment of products. Our products are also subject to customs duties as provided in the Harmonized Tariff Schedule of the United States (the "**HTSUS**"). Under FOB shipment terms, the Group is not the importer of record for imports of our products into the United States. Therefore, the burden of compliance with CBP regulations, rules, and processes is allocated to our customers, who act as the importer of record. However, to the extent our customers do not comply with relevant CBP regulations, rules, and processes, imports of our products into the United States may be delayed.

Anti-dumping, countervailing duty and quotas

Depending on the product exported to the United States and its origin, the product may be subject to additional duties besides regular customs duties, such as anti-dumping or countervailing duties, upon its entry into the US customs territory.

The anti-dumping and countervailing duties are duties in addition to the regular customs duties that are assessed under the HTSUS. The anti-dumping and countervailing duties are assessed as a percentage of the import value of the imported merchandise. In some cases, the anti-dumping and/or countervailing duties are substantial and effectively prohibit imports of the product.

In addition, the US imposes import quotas on certain imported goods to control the amount or volume of the goods that can be imported into the US during a specified period of time. Quotas are established by legislation, Presidential Proclamations or Executive Orders. There are three types of quotas: absolute, tariff-rate, and tariff preference level. Absolute quotas strictly limit the quantity of goods that may enter the US for a specific period. Tariff Rate Quotas permit a specified quantity of merchandise to be imported at a reduced rate of duty and may be limited to a specific time period. Goods that are commonly subject to quotas include textile and agriculture goods such as cotton, apparel, meat and dairy products.

Currently, our products are not subject to any existing US anti-dumping and countervailing duty measures and import quotas.

Other Import tariffs

Section 201 of the Trade Act of 1974, 19 USC. § 2101 et. seq. (the "**Trade Act**") permits the President of the United States to grant temporary import relief by raising import duties or imposing non-tariff barriers (e.g., quotas) on goods entering the United States that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorises the President of the United States to take all appropriate actions, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts US commerce. The law does not require that the US government wait until it receives authorisation from the World Trade Organization to take enforcement actions.

Beginning in July 2018, the US imposed Section 301 actions in the form of additional duties on certain Chinese products. This means that when these products of Chinese origin are imported into the United States, they are subject to additional import duties, varying from 7.5% to 25%. Most of our products, if of Chinese origin, are subject to an additional duty of 7.5% (List 4A), and some to 25% (List 3), unless the products are covered by product-specific exclusions granted by the US Trade Representative (USTR). However, most of the product-specific exclusions granted had expired by 31 December 2020. Only a few COVID19-related products (e.g. masks, gloves, medical equipment, etc.) continue to enjoy exclusions until 14 November 2021. The USTR initiated a public comment process on whether to reinstate previously extended exclusions covering products of China subject to Section 301 tariffs. Public comments are due on 1 December 2021.

Although the United States and China reached a Phase One trade deal in January 2020, these additional tariffs remain in place. The status of the tariffs may change as the trade relationships between China and the United States evolve.

Laws and regulations relating to intellectual property rights

US trademark law is governed by both federal and state law. A trademark includes any word, name, symbol, slogan, or device (such as a design), or any combination of these, used to identify goods or services and to distinguish them from those manufactured, sold, or serviced by others. Remedies for trademark infringement can include injunctions, damages, and a disgorgement of profits.

UK LAWS AND REGULATIONS

The UK left the EU on 31 January 2020, but remained subject to all of its laws and regulations under the Agreement on the withdrawal of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community during the transition period which ended on 31 December 2020. With the UK formally leaving the EU single market and customs union on 31 December 2020 and entering into the EU-UK Trade and Cooperation Agreement on 30 December 2020, import of goods to and from the EU is now subject to different rules, licencing and compliance regime.

Laws and regulations relating to product safety and product liability

Product safety

The EU Directive 2001/95/EC on general product safety was implemented by the General Product Safety Regulations 2005 ("**GPSR 2005**") in the UK. The GPSR 2005 imposes criminal liability on producers and distributors of unsafe products in the UK. The maximum penalty of the most serious offence is a fine of £20,000 or 12 months' imprisonment, or both. Under the regulations, a "producer" is the manufacturer of a product and any other person presenting itself as the manufacturer, or if the manufacturer is not established in the United Kingdom, its representative in the United Kingdom or the importer of the product. A "distributor" means a professional in the supply chain whose activity does not affect the safety properties of a product. The GPSR 2005 stipulates a number of offences, which includes: (i) the producer failing to: supply only safe products; provide consumers with information about risks of a product; adopt measures to stay informed about risks; or take appropriate action, including, where necessary, withdrawal, or recall of products; (ii) the distributor being involved in the supply of a product that it knows, or should have presumed, is a dangerous product or failing to participate in the monitoring of product safety; or (iii) the producer or distributor failing to notify and/or co-operate with enforcement authorities or comply with a safety notice. The offence of a producer placing an unsafe product on the UK market is a strict liability offence, which means that the offence is committed once the producer places an unsafe product on the market (even though it does not know at that stage the product is unsafe). The only defence is that the producer has taken all reasonable steps and exercised all due diligence to avoid committing the offence.

Product liability

The Product Liability Directive 85/374/EEC was implemented by the Consumer Protection Act 1987 ("**CPA 1987**"), which lays down a scheme dealing with civil liability for unsafe goods under which the producer of an unsafe product or, as the case may be, another person in the chain of supply, is held strictly liable in damages with respect to any defect in those goods which causes damage. The primary liability for defective products lies on the producer but there are special provisions for components, persons who market products under their own brand name and importers. In order to meet cases where he cannot identify the producer, the person injured by the product may in the first instance hold liable to his immediate supplier, who may then in turn pass liability up the chain of distribution by identifying his supplier, and so on to the ultimate manufacturer or importer. Liability for damage caused by a defective product does not extend to all damage but only to specified damage.

The CPA 1987 imposes strict liability which means that people who are injured by defective products can sue for compensation without having to prove that the manufacturer was negligent. Liability under the CPA 1987 does not preclude a claimant from making a common law negligence claim, and in some cases a common law negligence claim may succeed where a claim would not be available under the CPA 1987.

Laws and regulations relating to corporate governance

The normal laws applicable to companies in England and Wales govern BHP UK which was incorporated under the laws of the United Kingdom on 18 September 2009. BHP UK's incorporation, existence, governance and powers are controlled by the Companies Acts 1985 and 2006 and is subject to all the usual laws applicable to English companies.

Under the Companies Act 2006 there is a risk that BHP Zhejiang might be treated as a shadow director of BHP UK. This could render BHP Zhejiang liable to third parties if BHP UK were to become insolvent and it had taken steps which were unlawful for it or a breach of the duties of the directors of the company in relation to the insolvency. In certain circumstances, directors of an English company can become liable to its creditors if they continue to operate the company when it is insolvent and goes into liquidation thereafter.

Laws and regulations relating to employment

Under the relevant UK laws and regulations, all employees must have a contract of employment which need not be in writing and may be partly written and partly oral. The contract of employment sets out all the terms and conditions governing the relationship between the employer and the employee.

A national minimum wage applies for all workers over compulsory school leaving age. The national minimum wage rates differ depending on the age of the worker and whether or not they are in training. There are compulsory regulations against unfair dismissal, minimum standards of holidays and working time regulations.

Laws and regulations relating to intellectual property rights

The Trade Marks Act 1994 ("**TMA**") regulates the registration of UK trademarks, the use of registered UK trademarks and related matters. Section 9 of the TMA provides that the owner of a registered UK trademark has exclusive rights in the trademark which are infringed by the use of the trademark (or any sign confusingly similar to it) in the UK without the owner's consent. For instance, a person infringes a registered trademark if he uses in the course of trade a sign which is identical with the trademark in relation to goods or services which it is registered (Section 10(1) TMA). The TMA provides that a registered trademark owner is, in an action for infringement, entitled to relief including by way of damages, injunctions and accounts.

EU LAWS AND REGULATIONS

There is extensive legislation of the EU which aims at safeguarding the health, safety and interests of consumers. The regulations and directives of the EU cover a wide range of aims, such as the promotion of consumers' rights to information and education, consumer safety, the protection of consumers' economic and legal interests, and product packaging and labelling. While a regulation is a binding legislative act directly applicable in the Member States, a directive must be implemented by the Members in accordance with their domestic legal system.

Consumer protection in the EU

Consumer protection legislation and policy are central to the EU objectives of achieving a high standard of quality for its citizens. The Treaty on the Functioning of the European Union ("**TFEU**") places a high premium on the interests, health and safety of consumers in the EU. For example, Article 12 TFEU explicitly sets out that consumer protection requirements shall be taken into account when defining and implementing EU policies and activities. Equally, Article 114 TFEU on the approximation of laws sets out that the European Commission in its proposals on consumer protection will take as a base a high level of protection. With a view to meeting such objectives, laws have been adopted to govern the economic and health protection of consumers, the safety of products and the free movement of only safe goods within the EU.

*(i) The sale of consumer goods and associated guarantees ("**Directive 1999/44/EC**")*

Directive 1999/44/EC, which was adopted in May 1999 and required to be implemented in the member states of the EU ("**Member States**") by 1 January 2002, applies to all sellers of goods. The relevant provisions of this Directive provide consumers with a uniform minimum level of legal rights to remedies in the event of non-conformity of a product with the sale contract at the time of delivery. According to Directive 1999/44/EC, sellers must deliver only such goods to the consumers that are in conformity with the contract. Consumer goods are presumed to be in conformity with the contract if they: comply with seller's description; are fit for the purposes required by the consumer as made known by him to the seller; and are fit for their normal intended purpose and of quality and performance normally expected of products of this type.

*(ii) The liability for defective products ("**Directive 85/374/EEC**")*

Directive 85/374/EEC, a Directive issued by the Council of the EU and published on 7 August 1985 in the Official Journal of the European Union, states that producers shall be liable to their consumers for damage caused by defects in their products. For imported products, the EU importer is considered to be the producer for the purposes of the Directive. Directive 85/374/EEC is important for all sellers in the EU as any defect in the goods leading to damage, defined as death or personal injury or damage to any item of property, can give rise to liability on parties in the chain between the manufacture and sale of the defective goods.

Anti-dumping in the EU

Pursuant to Regulation (EU) 2016/1036 of 8 June 2016 ("**Regulation 2016/1036**"), the European Commission is responsible for investigating allegations of dumping within the EU. It usually conducts an investigation either upon receipt of a complaint from the relevant industry within the EU or on its own initiative. The investigation must show that (i) there is dumping pursuant to Article 2 of Regulation 2016/1036 by the exporting producers in the country/countries concerned; (ii) material injury (or threat thereof) has been suffered by the industry concerned within the EU; (iii) there is a causal link between the dumping and the injury; and (iv) the imposition of measures is in the interest of the EU as a whole. If the investigation comes to the conclusion that the above four conditions have been met, then anti-dumping measures may be imposed on imports of the product concerned. These measures are usually duties or price undertakings. The duties are paid by the importer in the EU and collected by the national customs authorities of the respective EU countries. Exporting producers may offer "undertakings" agreeing to increase its export prices of the products concerned. If their offer is accepted, anti-dumping duties will not be imposed on imports. The European Commission is not obliged to accept an offer of an undertaking. During the Track Record Period and up to the Latest Practicable Date, none of the products produced by our Group had been subject to any anti-dumping investigations or measures in the EU.

The REACH Regulation 2006

The REACH Regulation 2006 is directly applicable in EU Member States. However, each Member State must enforce the REACH regime within its own territory. Certain substances (including substances that are carcinogenic, mutagenic or toxic to reproduction) are listed in the regulation as substances of very high concern ("**SVHC**") and can only be placed on the market in specific circumstances. There is a duty to notify the European Chemicals Agency and provide information to consumers about products containing a concentration of SVHC above 0.1% w/w.

GERMAN LAWS AND REGULATIONS

Laws and regulations relating to product safety and product liability

Product safety

In principle, product-related EU and domestic laws are applicable when a product is placed (Inverkehrbringen) or made available (Bereitstellen) on the German market irrespective of the acting legal or natural person being considered as manufacturer, importer or distributor. With regard to some product-related EU and the Product Safety Act (Produktsicherheitsgesetz) ("**ProdSG**"), a specific legal feature applies: product-related responsibility is not only triggered by placing or making a product available on the German market but also by someone importing a product to the German market. Thus, under German law, responsibility for product compliance requires a product being placed, made available on or imported to the German market whereby responsibility under certain product-related EU and domestic laws is assigned to an economic operator already at the earlier time of offering a product. A product is placed or made available when it is supplied on the German market for distribution, consumption or use which requires the transfer of ownership or possession for business purposes. This (not mandatorily physical) transfer must take place on the German market. Violations of the ProdSG is penalised by fines of up to EUR100,000 and/or imprisonment of up to one years, depending on the breach in question.

Product liability

We are subject to liability under the German Product Liability Act (Produkthaftungsgesetz) ("**ProdHG**"). Liability under the ProdHG is mandatory, strict and can neither be restricted nor excluded in advance. Liability may occur if, as a result of a defective product, a person is killed, injured, affected in its health, or a thing (other than the defective product) is damaged. The term "manufacturer" according to the ProdHG is basically someone who has manufactured the end product, a basic material or a partial product. The term includes as well anyone who imports or transfers the product into the area of application of the Agreement on the European Economic Area for the purpose of sale; anyone who, by affixing his name, trademark or other distinctive sign on the product, is also considered a quasi-manufacturer. The maximum amount of the liability for personal injuries caused by the product or identical products with the same defect is limited to an amount of EUR85 million. The ProdHG applies to us if (i) the aggrieved party has its habitual residence in Germany and the defective product was placed on the German market; (ii) if the defective product was bought in Germany and was placed on the German market; or (iii) if the harm arose in Germany and the defective product was placed on the German market according to Article 5 Regulation (EC) 864/2007. It is sufficient that we could reasonably foresee that a product might be placed on the German market by another market participant, e.g. one of our customers, to be liable under the ProdHG; thus it is not necessary that the defective product was imported to Germany by us.

We are also potentially subject to product liability pursuant to tort law under Section 823 of the German Civil Code (Bürgerliches Gesetzbuch) ("**BGB**"), if the product is defective due to our negligence (producer liability). We have to fulfil various obligations such as constructing and producing products without defects, instructing the users about the use and/or potential residual risks in a proper way and monitoring the products after they have been placed on the market. Any negligent or intentional breach of such obligation causing damage to property, life, body, health or freedom of a third party or any violation of a protective law causing such damage may result in a liability towards the harmed party. Our liability under Section 823 BGB is in principle unlimited and we would therefore be liable for all damages caused by the defective product. According to Article 4 Regulation (EC) 864/2007, Section 823 BGB applies if the damage occurs in Germany.

Laws and regulations relating to intellectual property rights

In Germany, under the German Patent Act (Patentgesetz, PatG) a patent is a right to exclude a third party from making, using, selling, or offering for sale a technical invention throughout Germany or importing the invention into Germany. Germany has a "first to file" system which means that the right to a patent for a given technical invention lies with the person who first filed the patent application (regardless of the date the actual invention was made). Another category of intellectual property rights similar to patents are utility models in accordance with the German Utility Model Act (Gebrauchsmustergesetz, GebrMG). If patent or utility rights are infringed by third parties, the owner can claim, in particular, injunctive relief, disclosure and compensation for damages.

Competition law

There is no particular statue for the protection of trade secrets or confidential information, however, trade secrets are protected by provisions of the German Act against Unfair Competition (Gesetz gegen den unlauteren Wettbewerb) ("**UWG**") to ensure fair economic competition. These provisions provide for criminal sanctions, if someone exploits trade secrets of a third person without being authorised to do so. To preserve rights in a trade secret, a company must take reasonable measures to keep information that the company has received within the scope of contractual relations strictly confidential. Our customer, as the company which is advertising and distributing the product, bears sole responsibility for any violations of the UWG.

AUSTRALIAN LAWS AND REGULATIONS

Australian Consumer Law

The Australian Consumer Law ("**ACL**"), contained in Schedule 2 to the Competition and Consumer Act 2010 (Cth), imposes statutory obligations upon manufacturers and suppliers of goods in terms of marketing and advertising, product safety, quality guarantees and product liability. It gives regulators (primarily the Australian Competition and Consumer Commission ("**ACCC**")), competitors and consumers various statutory causes of action when a manufacturer's or supplier's conduct contravenes the legislation.

(i) Statutory guarantees as to the supply of household goods for which both manufacturers and suppliers are liable

The ACL attaches a number of guarantees to the supply of household goods and services in Australia. These guaranteed rights include, without limitation, that: (i) the supplier has the right to sell the goods; (ii) the goods are of acceptable quality; (iii) the goods match their descriptions; and (iv) the goods are fit for any purpose that the supplier represents, etc. A broad range of remedies is available against suppliers (including compensation, refund and replacement).

(ii) Provisions relating to safety standards, bans, recalls, safety warning notices and notification obligations

Under the ACL, a rigorous product safety law applies to consumer goods which includes: (i) the imposition of mandatory safety standards; (ii) bans on products, either on an interim or permanent basis; (iii) issuance of safety warning notices; and (iv) issuance of compulsory recall notices that require suppliers to recall a product. The Australian Commonwealth Minister may make a safety standard about a number of matters as are reasonably necessary to prevent or reduce risk of injury to any person. The supply of goods in contravention of a prescribed safety standard is prohibited. If a standard applies to consumer goods, and the goods do not meet that standard, a supplier also must not manufacture, possess or have control of those goods.

A supplier may be found guilty of a criminal offence if they fail to comply with a mandatory safety standard. The maximum fine is AUD500,000 for an individual and the greatest of AUD10 million, 10% of annual turnover in Australia or three times the gain from the contravention for a corporation. Civil penalties for the same amounts also apply. In addition, the ACL provides the ACCC with a number of alternatives apart from criminal prosecution, which include the power to issue infringement notices for offences. The maximum amount payable by a corporation for such an infringement notice is AUD66,000.

Manufacturers directly liable for certain losses caused by defective goods

The ACL allows a claim to be made against a manufacturer (or 'deemed' manufacturer which has a broad definition) when goods with safety defects cause injury, loss or damage. Goods have a safety defect if their safety is not such as persons generally are entitled to expect and the product must actually be unsafe, not just of poor quality or inoperative. A person suffering loss or damage as a result of a safety defect can seek compensation for personal injury and death.

Laws and regulations relating to intellectual property rights

It is unlawful to import goods into Australia which infringe intellectual property rights (including but not limited to trademark, copyright, patents and designs). This includes registered and unregistered intellectual property rights. Failure to consider intellectual property rights in facilitating importing arrangements in Australia may result in the supplier and/or the importer being the subject of legal action by the owner of the intellectual property rights in Australia.

A range of enforcement options are available for owners of intellectual property rights in Australia who believe their rights are being infringed. These include: (i) civil court action seeking remedies such as injunctions to restrain the infringing conduct, damages or an account of profits, delivery up of infringing items and legal costs. Court action may be used to protect certain unregistered intellectual property rights, such as through actions for misleading or deceptive conduct or passing off; and (ii) notices of objection lodged with the Australian Customs and Border Protection Service by owners of intellectual property rights under which the service will seize goods infringing copyright or registered trademarks to enable the intellectual property rights holder to institute legal action.

Certain breaches of the Trade Marks Act 1995 (Cth) ("**TM Act**") and Copyright Act 1968 (Cth) ("**Copyright Act**") constitute criminal offences. In a limited number of circumstances, law enforcement agencies such as state and federal police will take action in relation to these criminal provisions.

The Copyright Act and TM Act provide for individuals to be fined up to AUD136,500 and for corporations to be fined up to AUD682,500 for importing infringing products into Australia for commercial exploitation. The possible term of imprisonment is up to five years.

Laws and regulations relating to plastic household goods in Australia

Australia is a signatory to the WTO Standards Code and has acceded to the WTO Agreement on Technical Barriers to Trade. However, Australia still maintains some restrictive standards requirements particularly quarantine and health restrictions that have an impact on the free flow of goods. If a product imported to Australia is required to comply with a mandatory Australian product safety standard, the persons or institutions importing products that violate the relevant product safety standard may result in a fine of AUD10 million.

Parties may choose to comply voluntarily with a non-mandatory Australian Standard. Parties must not represent that their product complies with an applicable Australian Standard if it does not, and should have documentary proof of compliance (e.g. test results) if they do claim that their product is standards-compliant.

Suppliers should always consider the safety and suitability of any chemicals used in their products regardless of whether there are specific regulations. In terms of plastic in household goods, Diethylhexyl phthalate ("**DEHP**") should be reviewed carefully. DEHP is strongly controlled by a permanent product safety ban, and this permanent ban was declared on 1 February 2011. The ban prohibits supply of plastic products for use by children under 36 months (such as toys, childcare articles and eating vessels and utensils) that contain more than 1% (by weight) of DEHP and are products that children up to 36 months can readily chew or suck. DEHP must not therefore be used in any product destined for children up to 36 months or which a child up to 36 months might chew or suck on.

HONG KONG LAWS AND REGULATIONS

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

Our Group is subject to the Business Registration Ordinance. The Business Registration Ordinance requires every entity that carries on a business in Hong Kong to apply for business registration within one month from the date of commencement of the business, and to display the valid business registration certificate at the place of business.

Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offence, and shall be liable to a fine of HK$5,000 and to imprisonment for one year.

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

Our Group is subject to the profits tax regime under the Inland Revenue Ordinance. The Inland Revenue Ordinance is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits from the date of capital assets) arising in or derived from Hong Kong from such trade, profession or business.

As at the Latest Practicable Date, the standard profits tax rate for corporations was at 16.5%. The Inland Revenue Ordinance also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)

The Trade Marks Ordinance provides for the registration of trade marks, the use of registered trade marks and related matters. In order to enjoy protection by the laws of Hong Kong, trade marks shall be registered with the Trade Marks Registry of the Intellectual Property Department under the Trade Marks Ordinance and the Trade Marks Rules (Chapter 559A of the Laws of Hong Kong).

By virtue of Section 14 of the Trade Marks Ordinance, the owner of a registered trade mark is conferred with exclusive rights in the trade mark. Any use of the trade mark by third parties without the consent of the owner is an infringement of the trade mark and the owner of the registered trade mark is entitled to remedies under the Trade Marks Ordinance, such as infringement proceedings under Sections 23 and 25 of the Trade Marks Ordinance.

HISTORY AND DEVELOPMENT

Overview

Our Group's history can be traced back to June 2005 when Mr. Zhu, together with Mr. Fang, Mr. Mao and Mr. Zhang, founded BHP Linhai for manufacturing and selling laundry products, household cleaning tools and kitchen gadgets in Linhai County, Zhejiang Province, the PRC. Throughout its business operation, BHP Linhai had been manufacturing laundry products, household cleaning tools and kitchen gadgets in a leased production plant in Linhai County.

Believing the household necessity product industry had promising prospects, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang decided to expand our manufacturing business. In September 2007, as part of our expansion plan and to diversify our sales channels, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang established BHP Housewares in Hong Kong to engage in the sale of our products.

Having considered that the production capacity and efficiency of the leased production plant was no longer sufficient to cope with the increasing scale of our business operation, in 2008, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang established BHP Zhejiang and acquired a parcel of land and began to set up the Huzhou Production Plant in Deqing County, Zhejiang Province, the PRC. In the same year, they commenced to transfer our entire business from Linhai County to Deqing County by establishing BHP Zhejiang.

In March 2009, with the goal to expand our Group's business to the United Kingdom and to gauge consumer demand for our products in the United Kingdom, our Group entered into a joint venture agreement with Mr. Nicholson, who is a UK citizen, and an Independent Third Party (the "**Home Laundry JV Agreement**"). Pursuant to the Home Laundry JV Agreement, among others, (i) our Group acquired 33% of the issued shares in Home Laundry from Mr. Nicholson; and (ii) Home Laundry shall engage in reselling of household necessity products purchased from our Group to its customers through e-shop platform. For the key terms and other details of the Home Laundry JV Agreement, please refer to the paragraph headed "Divestment of interests in a jointly-controlled entity" in this section.

In September 2009, having tested the market acceptance of our products in the United Kingdom through e-shop platform, our Group considered that the market response was positive and decided to further establish our presence in the United Kingdom by establishing BHP UK to better reach out to potential customers and to better serve our customers in the United Kingdom. Having considered (i) Mr. Nicholson's market knowledge and network in the United Kingdom had helped Home Laundry in developing its business; (ii) it was beneficial for our Group to further leverage on Mr. Nicholson's market knowledge and network in the United Kingdom for the development of BHP UK's business; and (iii) the geographical and communicational convenience to Mr. Nicholson in attending to various matters in connection with the operation of BHP UK, our Group appointed Mr. Nicholson as the director of BHP UK. In order to reach out to potential customers located in the United Kingdom, we engaged NSM, which is wholly owned by Mr. Nicholson and his associates, as our trade agency. The service offered by NSM is complementary to the operations carried out by BHP UK. At the time when BHP UK was incorporated, NSM had been providing sales and marketing services to its clients, including but not limited to (i) assisting them to identify and liaise with potential sales channels and/or customers, (ii) conducting marketing and promotional activities; and (iii) providing after-sales services. Taking into consideration (i) BHP UK was newly incorporated and had just commenced its operation in the United Kingdom at the relevant times; (ii) the local experience and knowledge possessed by NSM and its employees; and (iii) BHP UK could leverage NSM's existing connections in the United Kingdom, our Directors believed that it would be beneficial for our Group to engage NSM separately for sales and marketing services in order to facilitate its expansion in the United Kingdom.

In 2010, the Huzhou Production Plant commenced production and we ceased our production operations in Linhai County in May 2011.

In March 2014, BHP Linhai was voluntarily deregistered as it had been dormant since May 2011 following the cease of our production operations in Linhai County.

During our business history, interests in our Group had been held through various trust arrangements. For details, please refer to the paragraphs headed "Trust arrangements in relation to interests in our Group" in this section.

For details of the background of Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, please refer to the section headed "Directors and senior management" in this prospectus.

Milestones

The following table sets out our business development milestones:

Year	Milestone Event
2005	Our Group commenced our business of manufacturing and selling laundry products, household cleaning tools and kitchen gadgets in Linhai County, Zhejiang Province, the PRC
2008	We established BHP Zhejiang and began the construction of phase one of our Huzhou Production Plant
2010	Phase one of our Huzhou Production Plant began production
	We commenced business with Bradshaw Group and Leifheit Group, two of our major customers headquartered in the United States and Germany, respectively
2011	We commenced business with Customer B, one of our major customers located in Australia
	We were recognised as an Advance Enterprise in Foreign Economic and Technological Cooperation* (對外經濟技術合作先進企業) for the year 2011 by the Deqing County People's Government* (德清縣人民政府)
2012	The construction of phase two of our Huzhou Production Plant was completed and the painting production workshop and processing production workshop began operation
	We were recognised as an Advanced Import and Export Enterprise of Autonomous Operation* (自營進出口先進企業) by the Deqing County People's Government* (德清縣人民政府)
2013	We were recognised as a Key Enterprise in Huzhou* (湖州市重點骨幹企業) by the Huzhou Municipal People's Government* (湖州市人民政府)
2017	We began selling our own "*Jia Ji Bao*" (家吉寶) branded products to local customers in the PRC
	We were recognised as a Representative Enterprise in Deqing County* (德清縣示範企業工會) by Deqing County Federation of Trade Union* (德清縣總工會)
2019	Additional warehouse of our Huzhou Production Plant was put into use

OUR GROUP STRUCTURE AND CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands on 21 May 2019 as an exempted company with limited liability under the Cayman Companies Act in anticipation of the Listing. Prior to Reorganisation, our Group comprised three major operating subsidiaries, being BHP Zhejiang, BHP Housewares and BHP UK. The following table sets forth certain details of these operating subsidiaries:

Name	Place and date of incorporation	Equity ownership as at 1 January 2018 (i.e. the beginning of the Track Record Period)	Equity ownership after completion of the Reorganisation	Principal business activities
BHP Zhejiang	The PRC/ 18 September 2008	100% held by Grand Resources[1]	100% held by Grand Resources	Manufacturing and selling our products
BHP Housewares	Hong Kong/ 7 September 2007	70% held by Mr. Zhu[2] 10% held by Mr. Fang[2] 10% held by Mr. Mao[2] 10% held by Mr. Zhang[2]	100% held by Roses All The Way	Selling our products
BHP UK	The United Kingdom/ 18 September 2009	100% held by BHP Zhejiang[3]	100% held by BHP Zhejiang	Selling our products

Notes:

1. Grand Resources is owned as to 70%, 10%, 10% and 10% by Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, respectively.

2. During the period from the incorporation of BHP Housewares to 22 July 2019, Ms. Lou, the spouse of Mr. Zhu and a director of BHP Housewares, had been holding 70%, 10%, 10% and 10% of the issued shares in BHP Housewares on trust for Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, respectively. For details, please refer to the paragraphs headed "Trust arrangements in relation to interests in our Group" in this section.

3. During the period from 1 October 2016 to 6 July 2018, Mr. Nicholson had been holding 50% of the issued shares in BHP UK on trust for BHP Zhejiang. For details, please refer to the paragraphs headed "Trust arrangements in relation to interests in our Group" in this section.

Shareholding changes during the Track Record Period prior to the Reorganisation

BHP UK

On 6 July 2018, Mr. Nicholson transferred 50 shares in BHP UK held on trust for BHP Zhejiang, representing 50% of the issued shares of BHP UK, to BHP Zhejiang at nil consideration, as such transfer was for the purpose of terminating the trust arrangement between Mr. Nicholson and BHP Zhejiang. For details of the trust arrangement, please refer to the paragraphs headed "Trust arrangements in relation to interests in our Group" in this section.

Divestment of interests in a jointly-controlled entity

Home Laundry was incorporated in the United Kingdom with limited liability on 2 February 2009. As at the date of its incorporation, Home Laundry was wholly owned by Mr. Nicholson, who contributed GBP100 to Home Laundry.

Mr. Zhu acquainted with Mr. Nicholson in the early 2000s in business occasion, and understood that Mr. Nicholson had extensive experience in sales of household necessity products in the United Kingdom.

In early 2009, with the goal to expand our Group's business to the United Kingdom and to gauge consumer demand for our products in the United Kingdom, our Group decided to set up a joint venture with Mr. Nicholson in order to leverage Mr. Nicholson's market knowledge and network in the United Kingdom household necessity product market. Consequently, on 9 March 2009, our Group entered into the Home Laundry JV Agreement with Mr. Nicholson and an Independent Third Party introduced by Mr. Nicholson who specialised in computer hardware, software and network peripherals.

The key terms of the Home Laundry JV Agreement are as follows:

Business of Home Laundry	:	Home Laundry shall engage in reselling of household necessity products purchased from our Group to its customers through e-shop platforms
Distribution of profits	:	All net income accruing to Home Laundry shall be distributed in proportion to the shareholdings of the parties to the Home Laundry JV Agreement
Board of directors	:	Each party to the Home Laundry JV Agreement shall be appointed as a director of Home Laundry

Management	:	Decisions in relation to the operations of Home Laundry shall require unanimous consent of the parties to the Home Laundry JV Agreement

Pursuant to the Home Laundry JV Agreement, on 9 March 2009, Mr. Nicholson transferred 33 shares and 33 shares in Home Laundry, representing 33% and 33% of the issued shares in Home Laundry, to Mr. Zhu (as trustee of Grand Resources) and the Independent Third Party, respectively, at a consideration of GBP33 and GBP33. Such consideration was determined based on the initial contribution made by Mr. Nicholson to Home Laundry. As a result, Home Laundry was held as to 34%, 33% and 33% by Mr. Nicholson, Mr. Zhu (as trustee of Grand Resources) and the Independent Third Party, respectively.

On 3 July 2018, Mr. Nicholson and Mr. Zhu (as trustee of Grand Resources) acquired 16 shares and 17 shares in Home Laundry, representing 16% and 17% of the issued shares in Home Laundry, from the Independent Third Party, respectively, at a consideration of GBP10,857.76 and GBP11,536.36, respectively. Such consideration was determined based on arm's length negotiations taking into account, among others, the then cash balance and trade receivables of Home Laundry and the contribution made by the Independent Third Party to Home Laundry. As a result of the transfer, each of Mr. Nicholson and Mr. Zhu (as trustee of Grand Resources) held 50 shares in Home Laundry and Home Laundry was owned as to 50% by Mr. Nicholson and 50% by Mr. Zhu (as trustee of Grand Resources), respectively.

For details of the trust arrangement between Mr. Zhu and Grand Resources, please refer to the paragraphs headed "Trust arrangements in relation to interests in our Group" in this section.

For the years ended 31 December 2018 and 2019, our Group's share of results of Home Laundry amounted to approximately RMB62,000 and RMB22,000, respectively. In early 2019, having considered that (i) Home Laundry only generated minimal income for our Group; (ii) our Group has established BHP UK to manage our sales activities in the United Kingdom; and (iii) the sale of our products through online shop in the United Kingdom is no longer in line with our then business strategies, the Directors decided to divest from Home Laundry for effective allocation of internal resources. As such, on 3 June 2019, Mr. Zhu (as trustee of Grand Resources) transferred all of its 50 shares in Home Laundry, representing 50% of the issued shares in Home Laundry, to Mr. Nicholson at nil consideration, which was determined after arm's length negotiation between the parties with due regard to (i) Home Laundry only generated minimal income for our Group; (ii) our Group would cease all dealings with Home Laundry after such transfer; (iii) even if the consideration was to be determined based on the estimated income generated by Home Laundry or its net asset value at the material time, the consideration amount would still be immaterial; and (iv) our Group would conduct its business in the UK through BHP UK going forward and Home Laundry would no longer be meaningful to our Group. Upon completion of the divestment, Home Laundry was wholly owned by Mr. Nicholson and ceased to be a jointly-controlled entity of our

Group. As confirmed by the Directors, Home Laundry was solvent and had not been subject to any material non-compliance incidents, claims, litigations or legal proceedings during the Track Record Period before such divestment.

As at the Latest Practicable Date, our Group had ceased all dealings with Home Laundry. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, Home Laundry will cease its business operations after finish selling its remaining stock of products.

TRUST ARRANGEMENTS IN RELATION TO INTERESTS IN OUR GROUP

Throughout our business history, interests in our Group had been held through the following trust arrangements:

Name of company	Particulars of trust arrangement	Relationship of trustee with our Group and/or the Controlling Shareholders	Reason for trust arrangement
BHP Housewares	Since the incorporation of BHP Housewares, Ms. Lou had been holding 70%, 10%, 10% and 10% of the issued shares in BHP Housewares on trust for Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, respectively. Such trust arrangement was terminated when Ms. Lou transferred all issued shares in BHP Houseware to Roses All The Way on 22 July 2019.	Ms. Lou is the spouse of Mr. Zhu and a director of BHP Housewares.	As Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang were pre-occupied with managing the operations of BHP Linhai, they established such trust arrangement to enable Ms. Lou to assist in completing the relevant incorporation documents and handling the relevant administrative matters.
Grand Resources	Since 17 October 2008, Ms. Zhang Cong, an Australian citizen, had been holding 70%, 10%, 10% and 10% of the issued shares in Grand Resources for Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, respectively. Such trust arrangement was terminated when Ms. Zhang Cong transferred 70%, 10%, 10% and 10% of the issued shares in Grand Resources to Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, respectively, on 21 March 2012.	Ms. Zhang Cong was a friend of Mr. Zhu.	Having considered that the production capacity and efficiency of the production plant of BHP Linhai was no longer sufficient to cope with the increasing scale of our business operation, in 2008, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang decided to set up the Huzhou Production Plant in Deqing County, and upon its completion, our entire business would be transferred to Huzhou Production Plant from Linhai County to Deqing County.

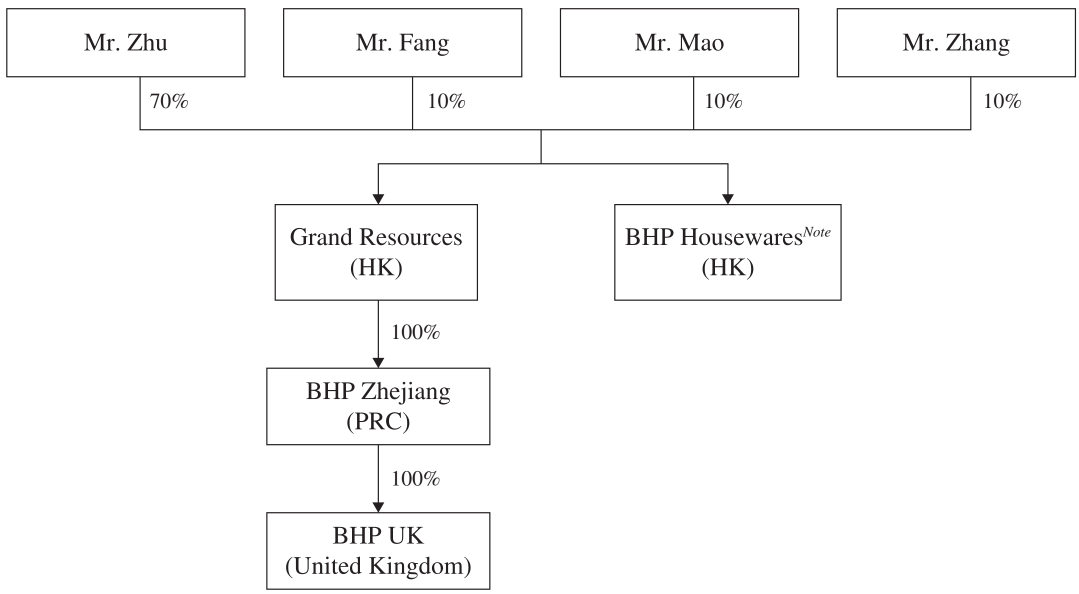
Name of company	Particulars of trust arrangement	Relationship of trustee with our Group and/or the Controlling Shareholders	Reason for trust arrangement
			Believing that a wholly foreign-owned enterprise with a foreigner as the shareholder of its offshore holding company would have a perceived advantage in acquiring the land for the construction of the Huzhou Production Plant given that the Deqing County local government announced certain policies and opinion in relation to the open economy development of Deqing County* (德清縣人民政府關於加快我縣開放型經濟發展的若干意見) in April 2008 providing various incentives such as tax subsidy and subsidy for establishing brands and/or registering trademarks for wholly foreign-owned enterprises to conduct business in Deqing County, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang (i) established BHP Zhejiang as a wholly foreign-owned enterprise with Grand Resources as its holding company; and (ii) entrusted Ms. Zhang Cong to hold the shareholding interest in Grand Resources on their behalf after the establishment of BHP Zhejiang. As Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang focused on the operations of BHP Linhai and the transfer of business, the trust arrangement was maintained until the completion of the transfer of business. Following the completion of the transfer of business in early 2012, Ms. Zhang Cong transferred the shares in Grand Resources back to Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang according to their respective beneficial interest in Grand Resources whereby the trust arrangement was terminated.

Name of company	Particulars of trust arrangement	Relationship of trustee with our Group and/or the Controlling Shareholders	Reason for trust arrangement
BHP UK	Since 1 October 2016, Mr. Nicholson had been holding 50% of the issued shares in BHP UK on trust for BHP Zhejiang. Such trust arrangement was terminated when Mr. Nicholson transferred 50% of the issued shares in BHP UK to BHP Zhejiang on 6 July 2018.	Mr. Nicholson was a director of BHP UK since its establishment until 1 September 2019.	As Mr. Nicholson, who is a United Kingdom citizen, is stationed in the United Kingdom, having considered (i) the geographical and communicational convenience to Mr. Nicholson in attending to various matters in connection with the operation of BHP UK; and (ii) the perceived authority of a shareholder capacity, together with his directorship, would facilitate Mr. Nicholson in handling day-to-day operations of BHP UK, our Group established such trust arrangement.
Home Laundry	During the period from 9 March 2009 to 3 July 2018, Mr. Zhu had been holding 33% of the issued shares in Home Laundry on trust for Grand Resources. Since 3 July 2018, Mr. Zhu had been holding 50% of the issued shares in Home Laundry on trust for Grand Resources. Such trust arrangement was terminated when our Group divested our interests in Home Laundry by directing Mr. Zhu to transfer 50% of the issued shares in Home Laundry held on trust for Grand Resources to Mr. Nicholson on 3 June 2019.	Mr. Zhu is one of our founders, an executive Director and Chairman of our Group and one of our Controlling Shareholders.	In early 2009, our Group decided to set up a joint venture with Mr. Nicholson by acquiring 33% of the issued shares in Home Laundry from Mr. Nicholson. Taking into account (i) the company kit, chop and seal of Grand Resources were located in Hong Kong; and (ii) there might be further administrative procedures to be complied with in relation to the acquisition of 33% of the issued shares in Home Laundry from Mr. Nicholson, our Group established such trust arrangement to enable Mr. Zhu, who travelled frequently to Hong Kong and overseas countries, to execute the relevant share transfer documents and handle other relevant administrative matters.

REORGANISATION

Group Structure immediately prior to the Reorganisation

The following chart sets forth the shareholding and corporate structure of our Group immediately prior to the Reorganisation:



Note: Prior to the Reorganisation, Ms. Lou had been holding 70%, 10%, 10% and 10% of the issued shares in BHP Housewares on trust for Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, respectively. For details, please refer to the paragraphs headed "Trust arrangements in relation to interests in our Group" in this section.

Major Reorganisation Steps

In preparation for the Listing, we have carried out the Reorganisation which involved the following steps:

Step 1: Incorporation of Beautiful Homeland

On 9 April 2019, Beautiful Homeland was incorporated under the laws of the BVI as a limited liability company. On 15 April 2019, Beautiful Homeland allotted and issued 70, 10, 10 and 10 shares to Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, respectively. As a result, Beautiful Homeland was owned as to 70%, 10%, 10% and 10% by Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, respectively.

Step 2: Incorporation of our Company

On 21 May 2019, our Company was incorporated under the laws of the Cayman Islands as an exempted company with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each. Upon incorporation, one Share was allotted and issued at par and credited as fully paid to the initial subscriber, which was in turn transferred to Beautiful Homeland on the same date. On 11 June 2019, 99 Shares were allotted and issued to Beautiful Homeland at par and credited as fully paid. On 30 July 2019, 200 Shares were allotted and issued to Beautiful Homeland at par and credited as fully paid. As a result, our Company was directly wholly owned by Beautiful Homeland.

Step 3: Incorporation of Happy Hours and Roses All The Way

On 30 May 2019, Happy Hours was incorporated under the laws of the BVI as a limited liability company. On 18 June 2019, Happy Hours allotted and issued 100 shares to our Company. As a result, Happy Hours was directly wholly owned by our Company.

On 30 May 2019, Roses All The Way was incorporated under the laws of the BVI as a limited liability company. On 18 June 2019, Roses All The Way allotted and issued 100 shares to our Company. As a result, Roses All The Way was directly wholly owned by our Company.

Step 4: Acquisition of (i) Grand Resources by our Company through Happy Hours and (ii) BHP Housewares by our Company through Roses All The Way

On 22 July 2019, through a share swap agreement, our Company acquired, through Happy Hours, 350,000 shares, 50,000 shares, 50,000 shares and 50,000 shares in Grand Resources, representing 70%, 10%, 10% and 10% of all of the issued shares in Grand Resources, from Mr. Zhu, Mr. Fang, Mr. Zhang and Mr. Mao, respectively, in consideration of and in exchange for the allotment and issue of 100 Shares to Beautiful Homeland credited as fully paid.

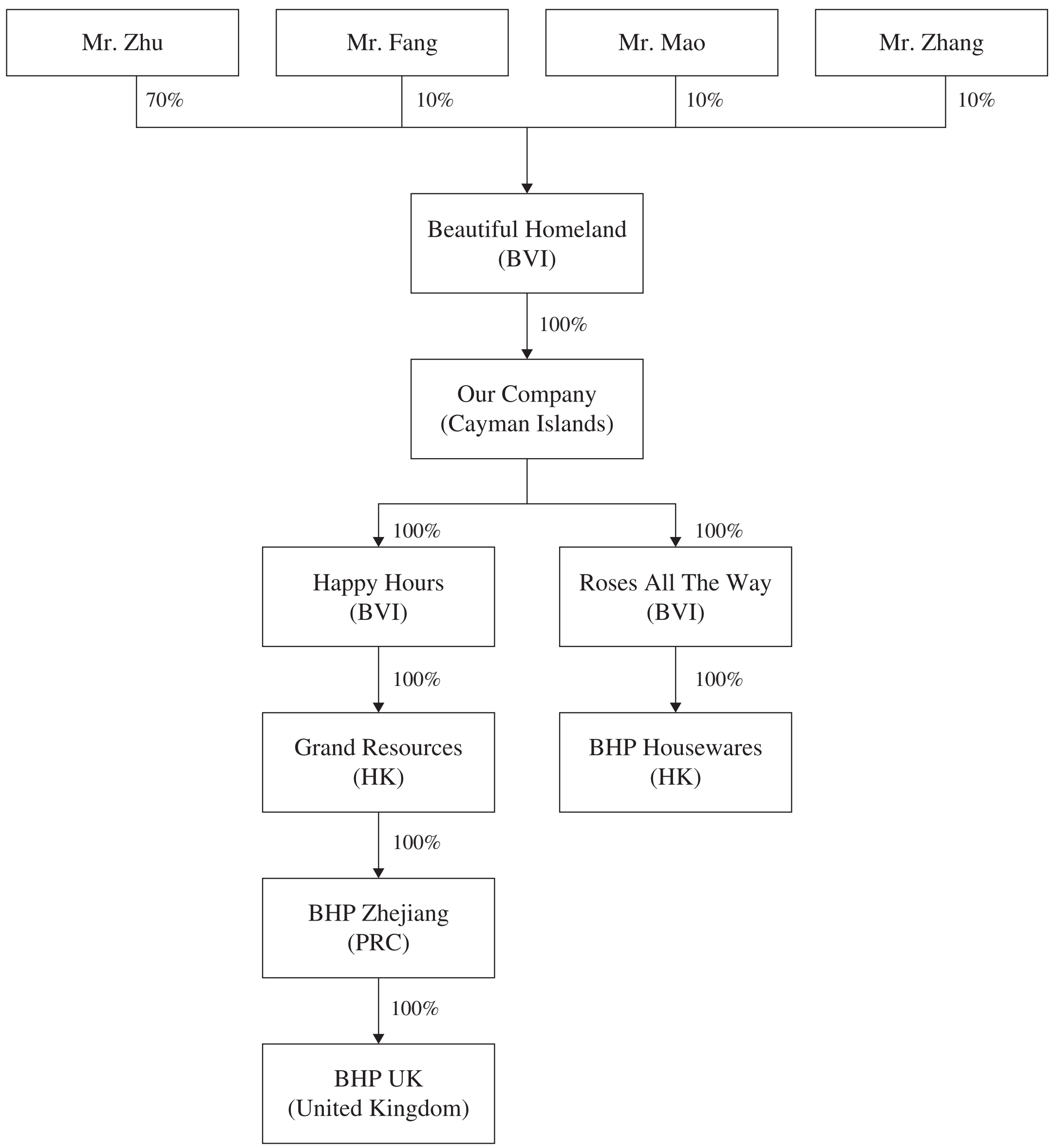
On 22 July 2019, through a share swap agreement, our Company acquired, through Roses All the Way, 10,000 shares in BHP Housewares, representing all of the issued shares in BHP Housewares, from Ms. Lou (as trustee of Mr. Zhu, Mr. Fang, Mr. Zhang and Mr. Mao), in consideration of and in exchange for the allotment and issue of 100 Shares to Beautiful Homeland credited as fully paid.

As a result, each of Grand Resources and BHP Housewares became an indirect wholly-owned subsidiary of our Company.

All of the abovementioned transfer under the Reorganisation have been properly, legally, irrevocably settled and completed.

Group Structure immediately upon completion of the Reorganisation

The following chart sets forth the shareholding and corporate structure of our Group immediately after the completion of the Reorganisation but before the Capitalisation Issue and the Global Offering:



CAPITALISATION ISSUE AND GLOBAL OFFERING

Capitalisation Issue

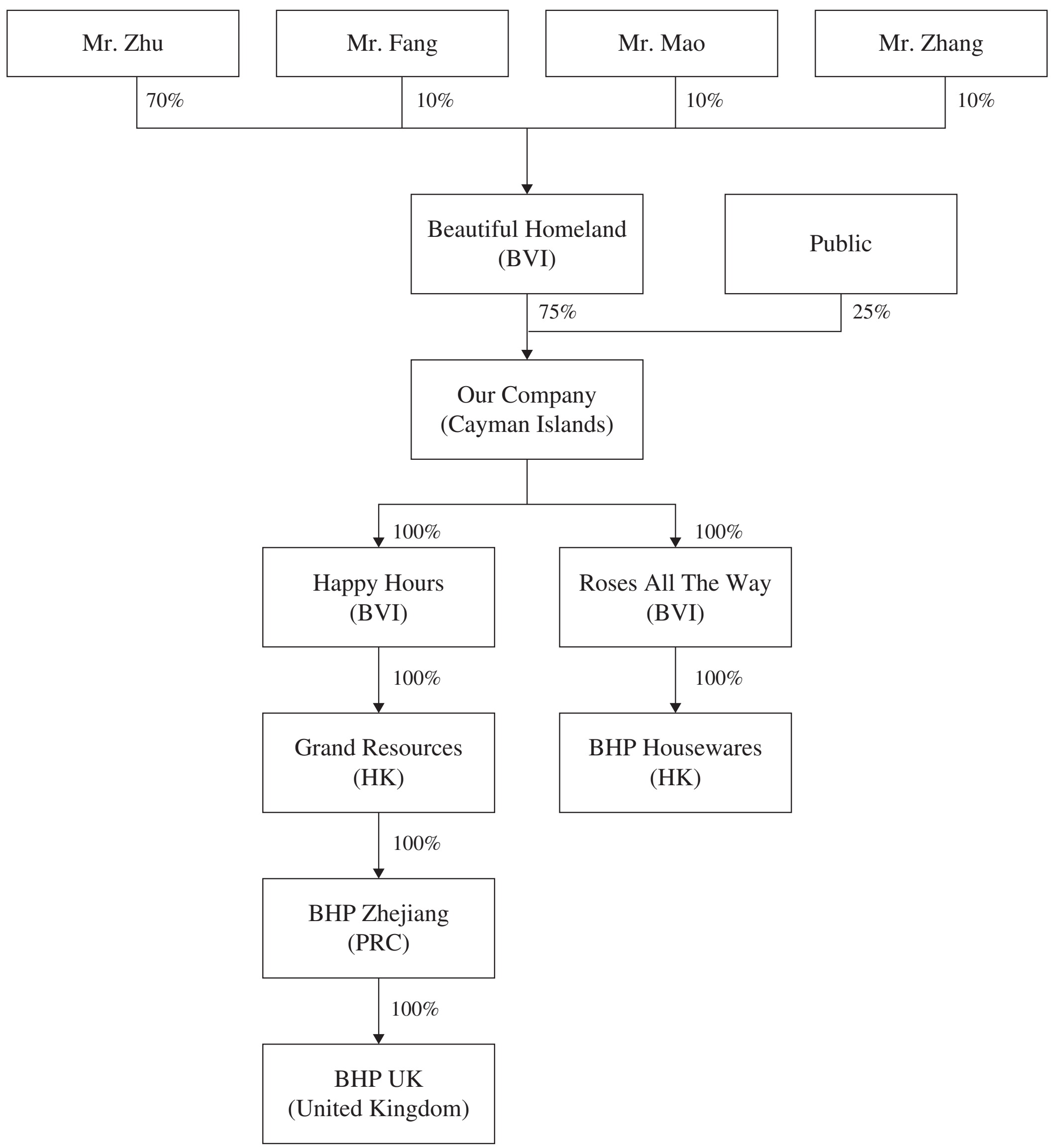
Pursuant to the written resolutions of our sole Shareholder passed on 12 October 2021, conditional upon the fulfilment or waiver of the conditions set out in "Structure and conditions of the Global Offering" in this prospectus and subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the new Shares under the Global Offering, our Directors are authorised to allot and issue a total of 374,999,700 Shares credited as fully paid at par to the Shareholders whose names appear on the register of members of our Company at the close of business on 11 November 2021 in proportion to their shareholdings by way of capitalisation of an amount of HK$3,749,997 standing to the credit of the share premium account of our Company.

Global Offering

For details, please refer to the section headed "Structure and conditions of the Global Offering" in this prospectus.

Group Structure immediately after completion of the Capitalisation Issue and the Global Offering

The following chart sets forth the shareholding and corporate structure of our Group immediately after the Reorganisation and completion of the Capitalisation Issue and the Global Offering, but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option:



PRC LEGAL COMPLIANCE

M&A Rules

Pursuant to Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors*《關於外國投資者並購境內企業的規定》(MOFCOM Order No. [2009] 6) (the "**M&A Rules**"), "merger and acquisition of domestic enterprises by foreign investors" refers to (i) the purchase of the equity interests of non-foreign invested enterprises established within the territory of the PRC ("**Domestic Companies**") by foreign investors; (ii) the subscription for the increased capital of the Domestic Companies by foreign investors, thus converting the Domestic Companies into foreign-invested enterprises; (iii) the purchase of the assets of the Domestic Companies and operation of such assets through the foreign-invested enterprises established by foreign investors for the purpose of merging and acquiring the Domestic Companies; or (iv) the purchase of the assets of the Domestic Companies by foreign investors who then invest such assets to establish foreign-invested enterprises (the "**Regulated Activities**"). In the event that any Domestic Company, enterprise or natural person merges or acquires an affiliated Domestic Company through an overseas company duly established or controlled by it, such merger and acquisition shall be submitted to the MOFCOM for examination and approval.

As advised by our PRC Legal Advisers, the M&A Rules are not applicable to our Group as (i) BHP Zhejiang was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company; (ii) BHP Zhejiang has obtained all necessary licences and approvals for its establishment; and (iii) no Regulated Activities were involved in the Reorganisation.

SAFE Regulations

According to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles*《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(the "**Circular No. 37**"), (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branches for any major change, in respect of the Overseas SPV, including a change of Overseas SPV's resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to the Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment related Foreign Exchange Administration Policies*《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》) (匯發[2015]13號), with effect from 1 June 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisers, our individual Shareholders who are PRC residents, namely Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang have all completed the foreign exchange registration of domestic residents for their individual offshore investment in June 2019.

OVERVIEW

We are principally engaged in the design, development, manufacture and sale of a wide variety of (i) laundry products; (ii) household cleaning tools; and (iii) kitchen gadgets, which are common items of household necessity products. Our products are primarily manufactured and sold to international brand owners or their authorised agents on an OEM or ODM basis for resale as wholesaler or retailer in overseas markets. According to the CIC Report, we ranked second in the drying rack manufacturing market in the PRC in terms of export revenue in 2020, with a market share of approximately 6.6%. The table below sets forth the breakdown of our revenue by destination of delivery of our products for the years and periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*Revenue RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
United States	147,544	44.9	149,571	44.4	178,109	46.3	35,572	31.5	33,984	26.9
United Kingdom	62,070	18.9	60,538	18.0	61,593	16.0	26,593	23.6	26,253	20.8
Germany	52,690	16.0	62,740	18.6	61,764	16.1	26,513	23.5	35,202	27.9
Australia	40,156	12.2	38,075	11.3	40,542	10.5	11,065	9.8	9,116	7.2
Others *(Note)*	26,288	8.0	25,629	7.7	42,732	11.1	13,099	11.6	21,685	17.2
Total	**328,748**	**100**	**336,553**	**100**	**384,740**	**100**	**112,842**	**100**	**126,240**	**100**

Note: Others include Austria, Belgium, France, New Zealand, the Netherlands and Canada, etc.

We have a stable customer base. As at 30 April 2021, our business relationship with our five largest customers ranged from approximately seven to ten years. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, approximately 77.9%, 76.9%, 80.5% and 72.9% of our total revenue was generated from our five largest customers, respectively, and approximately 42.2%, 41.4%, 41.8% and 26.0%, respectively was generated from our largest customer, namely, the Bradshaw Group, a group of companies headquartered in the United States principally engaged in the sales and distribution of cleaning accessories, laundry dryers and home products of its own brands and other well-known brands. Leveraging our substantial industrial experience in the provision of household necessity products to our OEM or ODM customers, coupled with our capability to understand their needs in developing their products, our Directors believe that we are well positioned to build and strengthen long-term cooperation with our major customers and expand our customer base in the future.

As at 30 April 2021, we offered more than 1,800 types of household necessity products with different functions and features. The table below sets forth the breakdown of our revenue by product category for the years and periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*Revenue RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
Laundry products	159,029	48.4	165,008	49.1	176,963	46.0	69,075	61.2	78,471	62.2
Household cleaning tools	164,386	50.0	166,712	49.5	192,025	49.9	41,018	36.3	46,452	36.8
Kitchen gadgets	5,333	1.6	4,833	1.4	15,752	4.1	2,749	2.5	1,317	1.0
Total	**328,748**	**100**	**336,553**	**100**	**384,740**	**100**	**112,842**	**100**	**126,240**	**100**

We manufacture our products at our self-owned Huzhou Production Plant, which has a gross floor area of approximately 58,441 sq.m. and is equipped with production machinery and equipment such as plastic injection machines, powder coating lines, brush filling machines, washing line extruding lines and a variety of ancillary equipment. Being an OEM or ODM supplier of household necessity products for various well-established international brands, we are committed to the quality and safety of our products and have adopted a comprehensive quality control system to closely monitor the production process of our products in order to meet the stringent requirements and standard of our customers on product quality. Our major operating subsidiary, namely, BHP Zhejiang, has been accredited with ISO9001 Quality Management System since 2015. We are also accredited with, ISO14001 Environmental Management System, OHSAS18001/ISO45001 Occupational Health and Safety and BSCI ethical audit since 2015.

The major raw materials used in the production of our products are polypropylene resin and steel. All our five largest suppliers during the Track Record Period were located in the PRC. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, the amount of purchases from our five largest suppliers amounted to approximately RMB63.0 million, RMB61.6 million, RMB61.2 million and RMB26.4 million, respectively, representing approximately 35.1%, 32.5%, 29.3% and 33.2%, respectively of our total purchases during the corresponding years.

Despite (i) the outbreak of COVID-19 in the PRC since December 2019 which had led to temporary suspension of our operation and production from 30 January 2020 to 10 February 2020 inclusive and temporary disruption on the supply of raw materials to our production; and (ii) the recent widespread of COVID-19 to the countries to which our products are delivered, our Directors are of the view that the impact of the outbreak of COVID-19 on our Group's business operations and financial conditions is only temporary and not long-term. For more details, please see the paragraphs headed "Impact of the outbreak of COVID-19 on our business and operation" in this section.

OUR COMPETITIVE STRENGTHS

We believe that our success can be attributed to the following competitive strengths:

Our well-established Huzhou Production Plant enables us to achieve mass production of a wide range of products and economies of scale

Our self-owned Huzhou Production Plant has a gross floor area of approximately 58,441 sq.m. to carry out our production activities. Though we would engage plastic injection service providers to undertake the plastic injection moulding process of small and simple plastic components of our products when our plastic injection moulding machines are running close to their full utilisation, the assembly and production of all our products are undertaken by us at our own Huzhou Production Plant. For further details regarding our production facility and production capacity, please refer to paragraphs headed "Production facility — Our existing production facility" in this section.

We believe that the large production scale of our Huzhou Production Plant with high production capacity allows us to achieve economies of scale, thereby reducing the unit cost of our products.

To the best knowledge and belief of our Directors, when well-established international brand companies or multi-national corporations are selecting their OEM or ODM suppliers, they have stringent selection criteria and will conduct physical visits to their production plants. Furthermore, they are generally cost-cautious and require high production capacity and short production lead time. Our large-scale operations have not only enabled us to meet the requirements of our customers, but also allowed us to maintain a highly competitive cost structure. For example, we can purchase our major raw materials in bulk, which enhances our bargaining power to negotiate for a better price of raw materials and hence lowering per-unit costs of our products.

Our product design and development capabilities enable us to offer a comprehensive product portfolio to our customers

Attributed to our product design and development capabilities, we offer a wide range of household necessity products to our customers to cater for their varying needs and requirements on product specifications. Apart from production, we also provide value-added services to our OEM and ODM customers including, among others, review of product designs based on our understanding on market trend and consumers' preference.

The product design and development process for our ODM and OBM products involves understanding customers' requirements and specifications for generating design concepts, transforming the design concepts into physical products, selection and procurement of suitable raw materials, and assessing technical feasibility of the entire production process. As such, we put great emphasis on product design and development and as at the Latest Practicable Date, our product design and development team comprised 11 staff members, which was headed by Mr. Mao, one of our executive Directors, who has over 33 years of technical management in the manufacturing industry in the PRC.

As at the Latest Practicable Date, our Group is the registered owner of 26 utility model patents, 15 design patents, 11 innovation patents, two community design patents, and one invention patent which are material to our business. Please refer to the paragraph headed "2. Intellectual property rights" in Appendix V to this prospectus for further details. During the Track Record Period, our product design and development team had been consistently introducing new or enhanced products every year. Please refer to the paragraphs headed "Product design and development" in this section for further details.

Our product design and development capabilities also enable us, to cope with changes in market trend and customer preferences, thereby meeting the varying needs and requirements of our customers; and demonstrate our competence to provide "one-stop" services covering market research, product design and development, production, quality control, logistics and after-sales services. As such, we can retain our existing customers and attract new customers, particularly brand owners or authorised agents of well-established international brands and multi-national corporations, etc.

We have a worldwide customer base

Our customers are mainly owners or authorised agents of well-established international brands which resell our products in overseas countries as wholesaler or as retailer for onward sale of our products to consumers.

During the Track Record Period, our products were sold and delivered to more than 20 countries and regions, mainly including the United States, the United Kingdom, Germany and Australia. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our overseas sales contributed to approximately 99.1%, 98.6%, 98.9% and 99.7% of our total revenue, respectively, and approximately 44.9%, 44.4%, 46.3% and 26.9%, respectively, of the revenue was generated from the sales to the United States. Our extensive international sales network enables us to reach a diverse customer base. Our Directors believe that attributed to our commitment to stringent quality control, our value-added services in customers' product development and our accumulated experience in overseas markets, we have developed trust and solid business relationships with our customers.

The Bradshaw Group, which is a group of companies headquartered in the United States that engages in the sale of household products of its own brand and other well-established brands and our largest customer during the Track Record Period, has been in business with us since 2010. During the Track Record Period, the Bradshaw Group sold products manufactured by us across the United States under its own brands such as "*Casabella*". To the best knowledge of our Directors, customers of the Bradshaw Group include retailers and supermarkets.

Customer A, which is a renowned group of companies with headquarters in Germany that engage in the sale and distribution of quality kitchen gadgets of well-established international brands and one of our five largest customers during the Track Record Period, has been in business with us since 2010. Customer B, which is a renowned Australian company that engages in the sale of laundry products and being one of our five largest customer during the Track Record Period, has been in business with us since 2011. Our other major customers include multinational supermarket or store chains.

In the United Kingdom, we have set up our subsidiary, BHP UK, to better manage our sales activities and serve our customers in the United Kingdom.

To reach out to local consumers in the PRC, we started selling our own "*Jia Ji Bao*" (家吉寶) branded laundry products, household cleaning tools and kitchen gadgets through e-shops at the established and popular platforms of independent third-party operators, such as taobao.com (淘寶網).

We are committed to high standard of quality control and quality assurance

As we develop and manufacture household necessity products primarily for well-established international brands, our customers require their OEM or ODM suppliers to manufacture products that can satisfy their stringent requirements in terms of safeness, quality, design and functions and meet the safety standards of different countries to which our products are exported. In this connection, our sales and marketing team, production team and QAQC team maintain communication and cooperation among one another to work out our production methodology and schedule to ensure that the requirements of different customers can be met and the latest market trend and new design can be integrated in our product development process.

We are also committed to implementing high standard quality control measures in incoming raw materials, production process and finished products, and recognise the importance of environmental protection and occupational health and safety. Our Group has obtained the ISO 9001 certification on quality management since 2015, ISO 14001 certification on environmental management system since 2015, and OHSAS 18001 on occupational health and safety management system since 2015.

As at the Latest Practicable Date, our QAQC team comprised 41 staff members, which was led by one team manager who has been accredited as internal auditor under ISO9001 certification on quality management since 2017. For further details regarding our quality control and quality assurance measures, please refer to paragraphs headed "Quality control and quality assurance" in this section. Attributed to our capability to manufacture products with high quality and safety standard, our Directors believe that we are able to continue to strengthen our position as OEM and ODM supplier for well-established international brands.

We have a stable management team with extensive industry experience and proven track record of delivering sustainable growth and profitability

Our management team has shown continuous commitment and dedication to our Group. Our management team is led by Mr. Zhu, our chairman, executive Director and one of our founders, who possesses more than 28 years of experience in the household necessity product manufacturing industry, and is responsible for the overall management, strategic development and major decision-making of our Group. Our other executive Directors and founders, each of Mr. Fang and Mr. Mao, has over 19 years and 33 years in the household necessity product industry, respectively. We believe that our Directors' solid industry experience is a major factor contributed to our Group's success. All the department managers have at least five years of experience with us, whereas the majority of our management team have been with our Group, on average, for over 10 years.

Their strong industry knowledge has enabled us to formulate sound business strategies, assess and manage risks, anticipate changes in consumer preference, maintain long-term business relationship with our customers and capture market opportunities. Please refer to the section headed "Directors and senior management" in this Prospectus for further details.

We believe that our Group will continue to benefit from the experience and business acumen that our management team possesses and we are confident about its ability to make a great contribution to the advancement of our business.

OUR BUSINESS STRATEGIES

Our goal is to achieve sustainable growth in our current business and strengthen our production capacity to secure more business opportunities by implementing the following business strategies:

I. Expand our production capacity by establishing the New Production Plant

We plan to set up a new production plant to be located in proximity to our Huzhou Production Plant (the "**New Production Plant**") to enhance our production capacity in plastic injection moulding process and to expand our warehousing spaces. As our products are mainly composed of plastic components, plastic injection moulding process forms the bottleneck in the manufacturing of our products.

Expected increase in our production capacity

The expansion of our production capacity in plastic injection moulding process will take place by two stages in September 2022 and September 2023, respectively whereby our maximum annual designed capacity for laundry products and household cleaning tools will reach 1,858,000 units and 10,178,000 units, respectively by the end of 2022; and 2,658,000 units and 13,378,000 units, respectively by the end of 2023. In this connection, the production capacity to be contributed by the new machinery and equipment for a year will be calculated in proportion to the number of working days on which the new machinery and equipment for carrying out the plastic injection moulding process will commence commercial production during the year and will reflect its maximum annual designed capacity upon full operation in the following year. The resulting total effective designed capacity of laundry products and household cleaning tools is expected to increase by approximately 22.1% and 13.4% for the year ending 31 December 2022, 97.7% and 59.2% for the year ending 31 December 2023 and 151.2% and 91.7% for the year ending 31 December 2024, respectively compared with the maximum annual designed capacity as at 31 December 2020. Based on our Group's forecasted production volume for the years ending 31 December 2022, 2023 and 2024, the estimated utilisation rate of our production facilities after implementation of our expansion plans would be 97.7%, 94.7% and 98.5% for laundry products, and 98.5%, 96.0% and 98.8% for household cleaning tools, respectively.

As our existing plastic injection machines are not fully automated whereby our workers have to load polypropylene resins into our plastic injection machines and unload the finished plastic components from the plastic injection machines ready for further processes such as assembling, inspection and testing, the installation of automated plastic injection machines in the New Production Plant can enhance the automation level of our plastic injection moulding process and an automated robotic arm can lift a moulded part out of one plastic injection machine and assist in combining two or more moulded parts for further processing, which also reduces the time for assembling and improves the quality and consistency of our products.

By that time, we will gradually reduce and cease the outsourcing of the plastic injection moulding process by carrying out all plastic injection moulding process by our in-house production machinery and equipment; and we will engage external plastic injection service providers only on an as-needed basis, i.e. when our enlarged production capacity cannot take up the then purchase orders from customers.

In coming up with our plan to establish the New Production Plant, our Directors are satisfied that there will be sufficient market demand for our Group's products and there are business needs for expanding our Group's production capacity of laundry products and household cleaning tools due to the following reasons:

Sufficient market demand for our Group's products

Our Directors believe that there would be sufficient market demand for our products based on the following analysis: –

(i) *Industry growth* — According to the CIC Report, the export value of drying racks and household cleaning tools in the PRC is expected to grow from 2021 to 2025, and the expected growth of the export value of drying racks and household cleaning tools in the PRC in terms of monetary value represents a respective increase of approximately USD54.2 million and USD1,082.0 million between 2021 and 2025 and a CAGR of approximately 3.4% and 3.4%, respectively. For details, please refer to the section headed "Industry Overview" in this prospectus. Given the magnitude of the expected increase in export value of these products, our Directors consider that there exists a sufficient market demand for our Group's products. In addition, according to the CIC Report, on the basis that the lockdown measures imposed by governments of various countries due to the outbreak of COVID-19 will ease in 2021, the market size of drying racks and household cleaning tools is expected to recover from the second half of 2021 onwards.

(ii) *Development of our own-brand products* — To reach out to local consumers in the PRC, our Group also plans to further promote and develop our own "*Jia Ji Bao*" (家吉寶) brand products by leveraging our OEM and ODM experience and expertise. Our Directors believe that once our production capacity is expanded, we would have spare production capacity to manufacture our own-brand products. According to the CIC Report, the retail sales value of drying racks and household cleaning tools in the PRC is expected to increase from 2021 to 2025. For details, please refer to the section headed

"Industry Overview" in this prospectus. The expected growth of the retail sales value of drying racks and cleaning tools in the PRC indicates that there are emerging opportunities in the PRC market, which further reinforces the strategical importance of expanding our production capacity.

(iii) *Consolidation of market players* — According to the CIC Report, the market share of the top five players in the PRC's drying rack manufacturing market and household cleaning tool manufacturing market in terms of export revenue respectively increased from approximately 30.0% to 32.6% and from approximately 2.3% to 2.7% from 2018 to 2020; and owing to the fierce competition in the market, certain smaller players in the household necessity product industry were phased out and the number of drying rack manufacturers in the PRC decreased by a CAGR of approximately 1.7% from 2018 to 2020 whereas the number of household cleaning tools manufacturers in the PRC decreased by a CAGR of approximately 1.2% from 2018 to 2020. Our Directors believe that the household necessity product industry in the PRC will continue to consolidate, with top players continue to dominate and capture a substantial portion of the industry growth while smaller players with small production scale will gradually decrease in number on the basis that the top players can usually satisfy customers' demands with their strong design and development capabilities and scale of production, achieve higher profitability, generate stable revenue due to their established reputation and sales channels to sustain their businesses.

(iv) *Our competitive advantages over other top market players in the PRC's drying rack manufacturing industry* — Our Directors believe that our strong design and development capabilities, which can be evidenced by the number of innovative patents we own, coupled with our diversified product offering, has distinguished our Group from other top market players in the PRC's drying rack manufacturing industry. As at the Latest Practicable Date, our Group was the registered owner of 11 innovation patents, whereas, according to the CIC Report, each of the other top five market players only owned zero to two innovation patents. Of the top five market players, we are the only company that has a product portfolio that comprises three product categories, namely, laundry products, household cleaning tools and kitchen gadgets, while the others' product portfolio comprises either drying racks or drying racks and one other product category. The types of drying rack products offered by us are also more comprehensive, which cover foldable/upright drying racks, rotary drying racks and wall-mounted drying racks whereas our peers generally focus on offering only one or two types of the drying racks. Moreover, according to the CIC Report, the price range of our products is wider than that offered by the other top five players, allowing our products to reach a wider customer base. Our Directors believe that in light of the above, which is further detailed in the paragraphs headed "Our competitive strengths" in this section, our Group is well-positioned to capture further market share going forward.

Sufficient business needs to expand our Group's production capacity

(i) *Our Group's current production capacity had constrained the extent of our business growth during the Track Record Period and there are confirmations from our major customers that they would increase their purchase volume if our Group is able to take up orders of a larger volume.* As our limited production capacity had constrained the growth of our revenue, we strategically focused on developing and producing products with higher selling price and profitability, and our sales and marketing team had refrained from proactively soliciting more purchase orders from our customers or potential customers and only maintained a similar level of purchase orders from our major customers during the Track Record Period. As such, our Group's overall gross profit margin increased from 28.1% for the year ended 31 December 2019 to 29.7% for the year ended 31 December 2020. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, the purchase orders initially placed by customers but subsequently declined by us (excluding those potential purchase orders enquired by our existing customers or potential customers to which we refrained from further negotiation, which cannot be quantified) amounted to approximately RMB0.2 million, RMB1.7 million, RMB2.4 million and RMB1.5 million, respectively. On the other hand, six of our Group's existing major customers including the Bradshaw Group, have indicated by way of written confirmation that they would increase their purchase volume with our Group if our Group is able to take up orders of a larger volume. Based on these confirmations, if our Group's production capacity can be expanded according to our expansion plan whereby our Group can be more flexible to take up more orders, the demand for our laundry products and household cleaning tools by existing major customers is expected to increase by approximately 0.9 million units and 2.6 million units, respectively. Our Directors believe that these confirmations from brand owners or authorised agents of well-established international brands served as a good indicator of sufficient demands for our Group's products from our existing customers to support our Group's expansion plan.

(ii) *Outsourcing the plastic injection moulding process to external plastic injection service providers is not a radical or definite solution to ease the saturation of our machinery.* During the Track Record Period, we had to outsource part of the plastic injection moulding process to external plastic injection service providers on an as-needed basis when our production facilities had been running close to their full utilisation, which helped alleviate the nearly saturated utilisation of our machines. Yet, our Directors believe that this is not a radical or definite solution nor is it conducive to the long-term sustainable development of our business. Whilst our Group's products are composed of plastic components of varying sizes, shapes and delicacies, depending on the original design of the products or requirements of individual OEM or ODM customers, our Group can or would only outsource certain plastic injection processes for production of small and simple plastic components, such as covers, caps and clips, being mainly ancillary parts of our products, to the external plastic injection service providers, as the manufacture of which requires less workmanship and only involves the use of standard mould base. The remaining plastic components cannot be outsourced as the production of which requires using moulds of specific designs and involves a high level of precision and unique workmanship. Moreover, it is impracticable for our Group to consider an alternative arrangement of providing our own moulds of specific designs to external plastic injection service providers on each occasion as it may lead to a risk of unauthorised use or duplication of the moulds and jeopardise the integrity of the product designs of our customers. As such, the continual or even enhanced reliance on outsourcing the plastic injection moulding process cannot significantly assist us in increasing our production capacity at all. Our Group will have more flexibility and control over the production schedule and production process of our products if the entire plastic injection moulding process of all our products takes place in our Huzhou Production Plant and the New Production Plant.

(iii) *The New Production Plant is needed to house our Group's new plastic injection moulding machines and other ancillary machinery and equipment*. For further details related to our lack of spare space, please refer to paragraphs headed "(i) Construction of the New Production Plant" in this section.

Based on the above, our Directors take the view that there will be sufficient market demand and business needs for our Group to expand our production capacity.

Proposed capital expenditure for establishing the New Production Plant

The New Production Plant will be located in proximity to our Huzhou Production Plant. As such, the plastic components manufactured in the New Production Plant can be effectively delivered to our Huzhou Production Plant for further processing and assembling to finished products. Raw materials and the work-in-progress will be stored in the smart warehouse of the New Production Plant.

We plan to utilise an aggregate of approximately RMB62.1 million (equivalent to approximately HK$70.8 million) for establishing the New Production Plant and acquiring new machinery and equipment to expand our production capacity and efficiency, of which RMB41.5 million (equivalent to approximately HK$47.3 million) will be paid by the net proceeds from the Global Offering, representing 55.0% of such net proceeds, and the remaining sum of approximately RMB20.6 million (equivalent to approximately HK$23.5 million) will be financed by our internal resources and/or bank loans.

The details of the estimated capital expenditure of approximately RMB62.1 million in relation to the establishment of the New Production Plant are set out as follows:

Purpose	Establishment of New Production Plant — Phase I	Phase II
	(RMB'million)	*(RMB'million)*
Land acquisition cost *(Note 1)*	11.9	—
Construction of the New Production Plant *(Note 2)*	23.6	—
Purchase of new plastic injection machines *(Note 3)*	7.9	7.6
Purchase of new ancillary machinery and equipment *(Note 3)*	8.9	2.2
Total	52.3	9.8

Notes:

1. The land acquisition cost is estimated based on the prevailing market price of the land at the proximity of our Huzhou Production Plant and an approximate site area of 16,000 sq.m. and will be paid by the proceeds from the Global Offering.

2. The estimated cost for constructing the production facility and the smart warehouse includes both the building cost, the renovation cost based on the preliminary quotations we obtained from the building contractors in the PRC and the cost for acquisition of smart warehouse system, of which approximately RMB14.0 million will be paid by the proceeds from the Global Offering.

3. For details of the breakdown of the cost for acquisition of new machinery and equipment, please see the paragraphs headed "Expand our production capacity by establishing a New Production Plant and warehousing — (ii) Acquisition of new machinery and equipment for the New Production Plant" in this section.

Proposed location of the New Production Plant

In selecting the location of the New Production Plant, we have considered a number of criteria, among others, including (i) whether there exists any mature infrastructure development in terms of water supply, water drainage, electricity supply, heat supply and transportation network for such location; and (ii) whether the land is in close proximity to our Huzhou Production Plant to allow a more efficient management of our daily operations and facilitate collaboration among our different departments. As at the Latest Practicable Date, we have identified a parcel of land located in Deqing County, Huzhou City, Zhejiang Province, the PRC with a total site area of approximately 16,000 sq.m., which our Directors consider to be a feasible location of our New Production Plant and we have submitted a written application for approval from the relevant local administrative authority in respect of our project for setting up the New Production Plant. We will proceed to acquire the land after receipt of the said approval.

The expected key procedures for the acquisition of the land are as follows:

Key procedures	Proposed timeline
Expected date of the application results in respect of our application for the approval of our project in setting up the New Production Plant	October to November 2021
Obtain the confirmation letter issued by the local bureau of the Ministry of Natural Resources of the PRC* (中華人民共和國自然資源部) or the relevant authority in respect of the land use rights of the land	October to November 2021
Complete the acquisition of the land	November 2021

Once we have completed the acquisition of the land and the ancillary rights in the manner set out above, our expansion in this respect can be further divided into three stages, namely, (i) construction of the New Production Plant; (ii) acquisition of new machinery and equipment for the New Production Plant; and (iii) setting up a smart warehouse in the New Production Plant.

(i) Construction of the New Production Plant

We have been operating our Huzhou Production Plant since 2010. Along the expansion of the scale of our business operations throughout the years, we encountered limitations to expand our production capacity due to space constraint and the layout of our Huzhou Production Plant for installation of additional large-sized machinery. Given the production of our products has to go through various processes with different machinery and equipment such as plastic injection machines, conveying belt and system and power coating machines etc. which are large-sized, they have to be placed and installed in a planned and orderly manner to ensure they are operated safely. Of the gross floor area of approximately 58,441 sq.m. of our Huzhou Production Plant, approximately 30,231 sq.m. has been used for production where our production machinery and equipment are housed; and approximately 28,210 sq.m. for warehousing, office, dormitories and ancillary facilities. The area of our Huzhou Production Plant allocated for production has been substantially occupied by our major machinery and equipment for the manufacturing of the metal components, washing line components and plastic components of all our products together with over 600 production workers. Thus, it has no further spare space to house a large number of additional large-sized machinery. The following table sets forth the breakdown of the respective gross floor area of our Huzhou Production Plant and New Production Plant by the usage of the allocated space:

Usage	Huzhou Production Plant	New Production Plant
	(sq.m.)	*(sq.m.)* *(estimated)*
Production workshops	30,231	18,800
Warehouse	17,762	2,200
Offices	6,055	700
Dormitories and ancillary facilities *(Note)*	4,393	200
Total	58,441	21,900

Note: Ancillary facilities also includes environmental protection and/or safety facilities.

Though the production workshops of our Huzhou Production Plant doubles the size of that in the New Production Plant and both production facilities will ultimately house a similar number of plastic injection machines, the Huzhou Production Plant serves multi-purposes in the manner set out above and would need more space but the New Production Plant will mainly complement the operation of our Huzhou Production Plant by undertaking the plastic injection moulding process and thus, the number of machines and equipment housed or to be housed in these two production plants will not be in proportion to their respective site area due to the following reasons:

a. Different production process(es)

Upon completion of the New Production Plant, it will primarily be undertaking the plastic injection moulding process for the production of plastic components while the Huzhou Production Plant will carry out the production of metal components and washing line components on top of the plastic components and undertake other production processes, such as washing line extrusion and cutting, powder spraying etc. and the assembling of our products. Moreover, our Huzhou Production Plant also houses manual assembly lines which require over 600 workers, and therefore take up considerable space. On the other hand, as the machines to be installed in the New Production Plant are more advanced and higher automation level which require less number of workers, a more compact factory layout can be organised in the New Production Plant.

b. Different floor plan design

Given the current layout of the Huzhou Production Plant and its power supply infrastructure, our Directors are of the view that in order to install new machinery and equipment in the Huzhou Production Plant, our Group will have to remodel the Huzhou Production Plant, which is less flexible than to design a new layout in the New Production Plant.

In light of the above, our Directors believe that the New Production Plant with a gross floor area of approximately 21,900 sq.m can ease the space constraint of our Huzhou Production Plant and will allow us to segregate different types of machines based on their functions performed in the production process of our products.

We expect that after the New Production Plant is in full operation, the maximum annual design capacity of our laundry products and household cleaning tools is expected to increase while our operating expenses could be reduced by converting the alternative arrangement of outsourcing part of the plastic injection moulding to external plastic injection service providers to in-house production. The table below sets forth the estimate of our annual operating expenses for setting up the New Production Plant with the new machinery and equipment in comparison with the historical expenses for outsourcing the plastic injection moulding, respectively:

Annual expenses	**New Production Plant with automated machinery and equipment**	**Outsourcing to plastic injection processing providers**
	RMB'000	*RMB'000*
Depreciation expense of the New Production Plant *(Note 1)*	1,352	—
Depreciation expense of new machinery and equipment *(Note 2)*	2,527	—
Labour expenses	3,744 *(Note 3)*	360 *(Note 4)*
Outsourcing expenses *(Note 5)*	2,525	15,938
Total	10,148	16,298

Notes:

1. Depreciation expense of the New Production Plant is calculated using the straight-line method to allocate their costs, net of their residual value which is assumed to be 5% of the acquisition cost, over their estimated useful lives of 50 years and 20 years for land and building, respectively.

2. Depreciation expense of the new machinery and equipment is calculated using the straight-line method to allocate their costs, net of their residual value which is assumed to be 5% of the acquisition cost, over their estimated useful lives of 10 years.

3. This represents the expected direct labour costs to be incurred at the New Production Plant and is estimated based on the historical average staff cost incurred in our own production process.

4. This refers to our staff costs incurred in supervising production process of the external plastic injection service providers.

5. This is based on the historical processing fees paid to external plastic injection service providers for the year ended 31 December 2020. The estimated outsourcing expenses upon the establishment of the New Production Plant is based on the projected volume of household cleaning tools products to be outsourced for plastic injection process assuming the New Production Plant is fully utilised.

Apart from saving the annual operating costs which is estimated to be approximately RMB6.2 million, the establishment of the New Production Plant would not only expand our production capacity, but also enable us to be better equipped to capture the expected growth of drying rack and household cleaning tool markets.

Payback period and breakeven point

We consider that our New Production Plant would achieve breakeven when the revenue generated by it covers its operating costs and expenses (excluding depreciation charge) incurred in the same year on an accounting basis. The production scale required to achieve breakeven would vary, depending on various factors, such as general economic and market conditions, market demands, utilisation rate of our production lines, market competition and costs of production. We consider that our New Production Plant would achieve investment payback when the total future net cash flow generated from operating activities once the commencement of its commercial production has covered the total investment amount including land acquisition cost, construction cost and machinery and equipment acquisition cost. The time required to achieve investment payback would also vary, depending on various factors, including those mentioned above and the actual capital expenditure such as costs of machinery and equipment.

Given our maximum annual designed capacity will be increased by approximately 1,600,000 units of laundry products and approximately 6,400,000 units of household cleaning tools by September 2023 after the New Production Plant has commenced full operation, it is estimated that, based on our Directors' knowledge and experience, the payback period for our New Production Plant will be approximately 35 months and that breakeven could be achieved within approximately one month.

(ii) Acquisition of new machinery and equipment for the New Production Plant

We intend to purchase an additional 64 plastic injection machines, 60 automated robotic arms, 60 conveying belts and other ancillary machinery and equipment for installation in our New Production Plant.

Based on the preliminary quotations obtained by us and our Directors' experience, we estimate that the capital expenditure for the acquisition of new machinery and equipment will be approximately RMB26.6 million (equivalent to approximately HK$30.3 million), of which approximately RMB15.5 million and RMB100,000 (equivalent to approximately HK$17.8 million and HK$114,000, respectively), representing approximately 20.5% and 0.1% of the net proceeds from the Global Offering, will be paid by the net proceeds from the Global Offering for purchase of plastic injection machines and other ancillary machinery and equipment, respectively and the remaining sum of approximately RMB11.0 million (equivalent to approximately HK$12.5 million) will be funded by our internal resources and/or bank loans.

The details of the new machinery and equipment to be housed in the New Production Plant and their estimated cost are as follows:

New machinery and equipment	**Principal use**	**Number of units**	**Expected useful lives**	**Estimated costs**
			(Years)	*(RMB million)*
Plastic injection machines	Used for moulding melted polypropylene resin mixture in its mould cavity to manufacture the plastic parts of our products	64	10	15.5
Automated robotic arms	Used for loading and injecting polypropylene resin to the automated injection machines	60	10	2.4
Conveying belt and system	Used for carrying the work-in-progress pieces to different production stations	60	10	2.7
Other ancillary machinery and equipment *(Note)*	Used to carry out different aspects of our production process	26*(Note)*	5-10	6.0
Total				26.6

Note: Other ancillary machinery and equipment includes various machinery and equipment for power distribution, water supply and environmental protection and safety, etc.

The following table sets forth the respective number of machines to be acquired in each phase of completion of the New Production Plant and the maximum designed annual capacity of these new machines:

Purpose	Expansion plan	
	Phase I	Phase II
Number of automated plastic injection machines	32	32
Number of automated robotic arms	30	30
Maximum designed annual capacity (units)		
Laundry products	800,000	800,000
Household cleaning tools	3,200,000	3,200,000

(iii) Setting up a smart warehouse in the New Production Plant

In alignment with the increase in our production capacity following the commencement of operation of the New Production Plant, we plan to set up a smart warehouse in the New Production Plant with an area of approximately 2,200 sq.m. for storage of raw materials and work-in-progress products. This smart warehouse can keep track on the amount of inflow and outflow of raw materials and the work-in-progress parts and also integrate with our existing ERP system and the MES system to be acquired with the funding from the Global Offering so that we can better monitor the procurement of raw materials, production and storage of our raw materials and work-in-progress products. Since December 2020, our Group has leased premises located in Huzhou City, Zhejiang as additional warehouse space. For additional information on the leased properties of our Group, please refer to the paragraphs headed "Leased properties" in this prospectus. Considering the increasing trend in utilisation rate of our existing warehouse in the Huzhou Production Plant being 68.4%, 78.4%, and 84.2% and 86.9%, during the Track Record Period, respectively and the need for more warehousing space to align with the expansion plan of our production capacity, we intend to set up the smart warehouse in the New Production Plant.

For setting up the smart warehouse in our New Production Plant, we will implement the following plans:

(i) *Optimising the storage space*: We plan to optimise our warehousing space by dividing the warehouse into different sections for raw materials and work-in-progress. In each section, there will be different zones and shelving units specifically for different kinds of raw materials and work-in-progress in terms of their nature and sources. Moreover, we aim to enhance our efficiency by reducing the time for locating and retrieving required items and the security and safety of our warehouse;

(ii) *Installation of smart warehouse system*: A smart warehouse system which can consolidate our warehouse data into an accessible platform to give us a real-time data and statistic about the status of our inventories so that we can devise our procurement and inventory planning more accurately and in a more timely manner;

(iii) *Installation of automated picking tools and vehicles*: We plan to purchase automated picking tools and vehicles like artificial intelligent robots to handle the retrieving and delivery of items within the smart warehouse;

(iv) *IoT implementation*: We intend to deploy the IoT system to synchronise our data in an easy-to-access network which in turn helps optimise our inventory control, procurement planning and reduce the turnaround time for retrieving and storage of items; and

(v) *Installation of ancillary equipment*: The smart warehouse will be installed with ancillary equipment such as security sensors, spoilage, temperature and moisture monitors.

II. Enhance the production efficiency of our Huzhou Production Plant

As the New Production Plant will carry out plastic injection moulding process for manufacturing the plastic components of our products for onward delivery to our Huzhou Production Plant for further processing and assembling to finished products, the production capacity of our existing Huzhou Production Plant has to be enhanced correspondingly.

Based on the preliminary quotations obtained by us, we estimate that the capital expenditure for the acquisition of new machines and equipment for our Huzhou Production Plant will be approximately RMB6.8 million (equivalent to approximately HK$7.8 million), of which approximately RMB6.0 million (equivalent to approximately HK$6.8 million), representing approximately 7.9% of the net proceeds from the Global Offering, will be paid by the net proceeds from the Global Offering and the remaining sum of approximately RMB0.8 million (equivalent to approximately HK$0.9 million) will be funded by our internal resources and/or bank loans.

Acquiring new machines and equipment for our Huzhou Production Plant

We plan to purchase the following new machines and equipment for our Huzhou Production Plant:

Types of machinery and equipment	Functions	Quantity	Expected useful lives	Estimated costs
		(units)	*(years)*	*(RMB million)*
Automated powder coating lines	Used for coating of metal with powder	2	10.0	2.0
Automated plastic spraying machines	Used for spray painting on our products with high level	2	10.0	0.5
Semi-automated brush filling machines	Used for filling of brushes into plastic bases for our household cleaning tools	2	10.0	4.3
			Total	6.8

The above new machines and equipment to be acquired will be complementary to our existing machines and equipment and are not for replacing the existing machines and equipment and thus, the installation of which in our Huzhou Production Plant would fully occupy its spare space. Our Directors expect that these machines and equipment would enable us to cope with the projected increase in our production volume of our products after completion of the New Production Plant and enhance the automation level of our Huzhou Production Plant and result in a reduction in our direct labour cost as a result of reduced manual works.

Our Directors expect that while there will be a slight increase in operating expenses, such as repair and maintenance expenses and utilities expenses due to the installation of these additional machines and equipment, the reduction in staff cost resulting from reduced manual works will be able to set off the increase in operating expenses.

We consider that the new machines and equipment for installation in our Huzhou Production Plant would (i) achieve breakeven when the revenue generated and cost saved by them can cover their expenses incurred in the same year/period on an accounting basis; and (ii) achieve investment payback when the net cash flow generated from them has covered the total investment amount. On this basis, it is estimated that the payback period for such new machines and equipment will be approximately 33 months and the breakeven will be approximately one month after they have commenced operation.

III. Develop an integrated smart manufacturing system to ensure effective execution of our manufacturing process and enhance our production efficiency

We currently rely on our ERP system to manage our inventory and monitor our manufacturing process. In view of the growing trend of automation and data exchange in manufacturing technologies and to further improve our operational efficiency, we plan to strengthen our competitiveness as a well-established manufacturer by developing an integrated smart manufacturing system (the "**MES system**") to allow us to monitor each stage of our production in real time and respond timely to any changes in production conditions. To develop and implement an integrated smart manufacturing system, we expect to acquire and install a MES system in our Huzhou Production Plant to integrate with our existing ERP system in order to achieve a better control of our sales and production information, monitor the procurement of raw materials and the manufacturing process on real time basis and manage our relationship with individual customers and suppliers.

Furthermore, with an advanced integrated smart manufacturing system, we can collect, trace, store, manage and interpret data collected from our procurement, warehousing and manufacturing activities as it continuously records and updates various aspects of these activities and processes. An advanced MES system can also track and monitor our resources including the inventory level of our raw materials, utilisation of our production capacity from time to time and the status of our sales and purchase orders, in a timely manner. The data collected in the assembling and manufacturing process in the MES system can be integrated with our ERP system for further consolidation, analysis and information reporting. As such, an integrated smart manufacturing system not only ensures accurate monitoring of the manufacturing process and improves our production efficiency but also facilitates us to plan and iron out our business expansion plan. We also intend to upgrade our IT infrastructure to cater for an anticipated increase in data transmission among our production and other key operating processes. To achieve this, we plan to, among others, (i) establish a cloud system which collects and shares real time data of orders and operations; and (ii) strengthen network security and control.

The estimated total costs for developing the integrated smart manufacturing system and upgrading our IT infrastructure are approximately RMB2.0 million (equivalent to approximately HK$2.3 million), of which approximately RMB1.6 million (equivalent to approximately HK$1.8 million), representing 2.1% of the net proceeds from the Global Offering, will be paid by the net proceeds from the Global Offering and the remaining sum of approximately RMB0.4 million (equivalent to approximately HK$0.5 million) will be financed by our internal resources and/or bank loans.

IV. Expand our sales and marketing network

According to the CIC Report, the import value of drying racks in the United Kingdom, Australia and Germany is expected to increase from 2021 to 2025 and the import value of cleaning tools in the United States is expected to increase from 2021 to 2025. For details, please refer to the section headed "Industry Overview" in this prospectus. In order to seize these business opportunities and to reach out to more well-established international brands while at the same time consolidating the long-term business relationship with our customers, we intend to continue to expand our sales and marketing network in the overseas markets.

We had also started developing and manufacturing laundry products, household cleaning tools and kitchen gadgets under our own brand "*Jia Ji Bao*" (家吉寶) to tap into the local markets in the PRC since December 2017. Our own-brand products are mainly sold through e-shops in the PRC, such as taobao.com (淘寶網).

Our Directors believe that a focused sales and marketing strategy to both the overseas and the PRC markets in the following ways will help boost the sales of our products in both overseas and the PRC markets and to better utilise our increased production capacity.

(i) Participating in and attending more industry exhibitions and fairs

For the two years ended 31 December 2018 and 2019, we attended five and three trade fairs and exhibitions to showcase our products and increase our exposures in the market and more than 60 companies expressed their interest in our products or requested a quotation from us during or after industry exhibitions or trade fairs, which demonstrates the success of our past experience in this respect. Of these 60 companies, approximately ten companies subsequently established business relationship with us by becoming our customers. Though the sales obtained directly from these events were not significant, our Directors believe that we can indirectly benefit from attending these trade fairs and exhibitions, to the extent that we can promote brand awareness among industry players, strengthen our Group's corporate image and provide our sales and marketing executives with opportunities to exchange business contacts with our targeted and potential customers. Our Group attended only one trade fair for the year ended 31 December 2020 and did not attend any trade fair during the four months ended 30 April 2021 as many trade fairs and exhibitions were cancelled or postponed due to the COVID-19 outbreak. However, we intend to attend more trade fairs and exhibitions once the draconian measures imposed by various governments are relaxed or when COVID-19 can be successfully contained, as our Directors expect that by then more industry players would proactively attend large-scale or international exhibitions and trade fairs to showcase their products and promote their brand awareness. This allows our existing or potential customers to have a better understanding of our latest product offerings and provide us with their feedbacks and views on our products, which creates an effective interface between our customers or potential customers and us. Further, we can gain an overview of the latest market trend on our household necessity products and an opportunity to evaluate the products of our competitors.

In view of the above advantages, we intend to (i) attend more industry exhibitions and trade fairs and (ii) enhance our presence by increasing the scale and enhance the design of our show booths at these industry exhibitions and trade fairs. The following table sets out details of some of the major industry exhibitions and trade fairs we intend to attend in the years ending 31 December 2021, 2022 and 2023:

Industry exhibitions and trade fairs	Locations	Target customers
The Inspired Home Show	Chicago, the United States	Distributors and retailers in North and South America
East China Fair (華交會)	Shanghai, the PRC	Supermarket customers in the PRC
Canton Fair (廣交會)	Guangzhou, the PRC	Buyers, traders, distributors and retailers around the world
Shanghai Commodity Fair* (上海日用百貨展)	Shanghai, the PRC	E-commerce customers in the PRC
Shanghai Private Brand Exhibition* (上海自有品牌展)	Shanghai, the PRC	Supermarket customers in the PRC
Hangzhou Net Red Live E-commerce Expo (杭州網紅直播電商博覽會)	Hangzhou, the PRC	Distributors and retailers in the PRC
Frankfurt Exhibition	Frankfurt, Germany	Distributors, retailers and traders in Europe

We intend to utilise an aggregate sum of approximately RMB5.3 million (equivalent to approximately HK$6.0 million) for attending the above industry exhibitions and trade fairs, which will be funded by the net proceeds from the Global Offering, representing approximately 7.0% of the net proceeds from the Global Offering.

(ii) Recruiting additional sales and marketing executives

Our Directors consider that personnel of our current sales and marketing team would not have spare capacity to assume additional responsibilities arising from our expansion plan given their current workload. As at the Latest Practicable Date, we had a sales and marketing team composed of one executive who is responsible for the sales and marketing activities for the PRC market, nine executives who are responsible for the sales and marketing activities for the overseas market and six executives who provide administrative and after sales support to our sales and marketing functions. As such, it is necessary for our Group to hire additional personnel to (i) help secure new customers from both overseas markets and the PRC markets; (ii) perform the relevant market research on the trend of household necessity products and to reach out to potential new customers; (iii) attend trade fairs and exhibitions to explore more business opportunities; and (iv) handle the expected increase in purchase orders from both our existing customers and new customers following the expansion of our production capacity. Moreover, since we lack relevant expertise, we intend to recruit sales and marketing executives in the PRC who are experienced in using digital channels for marketing such as social media, email marketing, search engine rankings, online display advertisements and corporate blogs and in operating online shops.

The PRC team will focus on building up our brand awareness and promoting our own-brand products through digital channels such as social media, email marketing, search engine rankings, online display advertisements and corporate blogs in order to boost the sales of our products at the existing e-shops platforms at which our products are displayed and our flagship online shop to be established in the PRC market. The overseas team will continue to reach out to more international renowned brands of household necessity products and to maintain business relationship with our existing customers.

The following table sets out the preferred qualifications, experience and salaries of the nine sales and marketing personnel to be recruited with the net proceeds from the Global Offering:

Position	**Number**	**Preferred experience and Qualifications**	**Estimated average monthly salary**
			RMB'000
Sales and marketing executive	9, of whom 4 are responsible for overseas markets and 5 are responsible for the PRC market	• Tertiary education, majoring in business and marketing; and • Having at least two years' experience in sales and marketing of household necessity products in the PRC or overseas market, preferably through digital channels and have experience in setting up and operating online shops	11

We intend to utilise an aggregate sum of approximately RMB2.1 million (equivalent to approximately HK$2.4 million) for recruiting additional sales and marketing executives, which will be funded by the net proceeds from the Global Offering, representing approximately 2.8% of the net proceeds from the Global Offering.

(iii) Exploring more effective online marketing strategies

Owing to (i) our lack of spare production capacity to manufacture our own-brand products in a large scale during the Track Record Period; (ii) the absence of any large-scale online marketing activities to promote our own-brand products; (iii) the limited functions of the existing e-shop platform for the sale of our own-brand products; and (iv) our sales and marketing team's lack of experienced personnel who had expertise in digital marketing or operation of e-shops during the Track Record Period, the revenue generated from the sale of our "*Jia Ji Bao*" (家吉寶) brand products through e-shops during the Track Record Period was insignificant. Revenue generated from our own-brand products sold in the PRC amounted to approximately RMB1.0 million, RMB0.4 million, RMB0.1 million and RMB22,000, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021. Correspondingly, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our sales and marketing expenses by online marketing channels remained minimal, amounting to approximately RMB0.1 million, RMB0.1 million, RMB0.1 million and nil respectively.

Despite the above, considering the increased internet penetration rates, the rapid development of online shopping in the PRC and widespread use of smartphones in the PRC nowadays, we intend to (i) develop advanced mobile phone applications in order to promote our brand and products; (ii) pay for more favourable screen space on relevant e-commerce portals; (iii) exploit online social media platforms such as WeChat and Weibo to disseminate our product information to targeted customers and raise brand awareness; and (iv) adopt search engine optimisation measures to increase the visibility and web traffic of our existing and future product displays.

We intend to utilise an aggregate sum of approximately RMB2.9 million (equivalent to approximately HK$3.3 million) for this purpose for online marketing activities. Approximately RMB2.5 million (equivalent to approximately HK$2.9 million), or approximately 3.3%, of the net proceeds from the Global Offering will be used to this end and the remaining sum of approximately RMB0.4 million (equivalent to approximately HK$0.5 million) will be funded by our internal resources and/or bank loans.

(iv) Strengthening our online sale by revamping our existing product display at our e-shops and setting up a new flagship online shop

According to the CIC Report, online sales channels are particularly effective for promoting brands and products in the PRC markets and online shops will become an important shopping channel for consumers of household necessity products in the PRC. In particular, the outbreak of COVID-19 pandemic having caused more consumers to online shop. We intend to revamp our existing product display at our e-shops and set up a flagship online shop at the e-shopping platforms operated by an Independent Third Party commerce operators, such as TMALL.com in the PRC, for the sale of our own-brand products.

To revamp our product display at our e-shops and set up a flagship online shop, we plan to (i) create an ecommerce landing page for our existing e-shops and flagship online shop at which our products are displayed and to increase their conversion rates concurrently with the launching of our marketing campaigns from time to time, (ii) improve the web design of our product display at both e-shops and the flagship online shop in order to attract more visitors, provide them with more information about our own-brand products and (iii) conduct promotional and marketing activities via the flagship online shop.

To open a flagship online shop on a well-recognised e-commerce platform, we have to pay security deposit, annual technology fee and logistics setup fee to the online mall operator. We will also incur expenses in relation to e-shop application, design of user interface, order management system, warehousing, marketing and sales commission to the online mall operator.

We intend to utilise an aggregate sum of approximately RMB1.4 million (equivalent to approximately HK$1.6 million) for the above strategies and operation of our flagship online shop, which will be funded by the net proceeds from the Global Offering, representing approximately 1.9% of the net proceeds from the Global Offering.

V. Further enhance our product design and development capabilities

During the Track Record Period, we placed great emphasis on our product design and development and our research and development costs amounted to approximately RMB1.5 million, RMB1.5 million, RMB1.7 million and RMB1.0 million, respectively. As at the Latest Practicable Date, our Group was the registered owner of 26 utility model patents, 15 design patents, 11 innovation patents, two community design patents, and one invention patent which are material to our business. In alignment with our enhanced production capacity upon full operation of our New Production Plant under our expansion plan, we intend to strengthen our research and development capabilities with a view to (i) improving our product design in terms of appearance, functions, features and quality; (ii) improving our production techniques to achieve better production efficiency and cost saving; and (iii) developing our own-brand products.

(i) Acquisition of advanced design software and equipment

During the Track Record Period, our design and development team used basic 3D printers and 3D computer aided design software in designing product prototype based on our customers' specific requirements. To cope with more innovative and potentially more complicated designs, we intend to purchase advanced models of 3D printers and 3D design software, which will assist us to create more precise product prototypes at lower cost, higher speed and shorter product turnaround time and thus improve our overall design capabilities. As such, we plan to provide the additional engineers and product designers we intend to recruit with the equipment set forth in the table below with the estimated cost based on the quotations obtained by us from the relevant suppliers:

Additional design software and equipment	Number of units	Expected useful lives	Estimated cost
		(Years)	*(RMB' million)*
3D printer	3	5	4.1
3D design software	4	3	0.1
Computers	4	3	0.1

We intend to utilise an aggregate sum of approximately RMB4.3 million (equivalent to approximately HK$4.9 million) for the acquisition of advanced design software and equipment, which will be funded by the net proceeds from the Global Offering, representing approximately 5.7% of the net proceeds from the Global Offering.

(ii) Recruitment of expertise who possess extensive industry experience

We expect that (i) the number of orders to be placed by our customers would increase in alignment with our enhanced production capacity; and (ii) there will be orders for products of higher complexity and more functionality. Examples of such products of higher complexity and more functionality include but not limited to mops that use steam to clean floors and carpet, electric heated drying racks that help speed up the drying of clothing, and easily collapsible drying racks with the push of a button.

As such, our Directors are of the view that it is imperative for us to recruit more talents in product engineering and product design. The table below sets forth the preferred qualifications, experience and salaries of the additional design and development staff to be recruited with the net proceeds from the Global Offering:

Position	**Number**	**Specific qualification and/or requirements**	**Estimated average monthly salary**
			(RMB'000)
Engineer	3	• a university degree or diploma in mechanical or product engineering majors, and • at least three years working experience in automated equipment production management or household necessity product production	8
Product designer	3	• a university degree or diploma in product design majors, and • at least three years relevant working experience in household necessity product production or plastic product production	8

We intend to utilise an aggregate sum of approximately RMB1.2 million (equivalent to approximately HK$1.4 million) for the above recruitment of expertise who possess extensive industry experience, and all of which will be from the net proceeds from the Global Offering, representing approximately 1.6% of the net proceeds from the Global Offering.

(iii) Provision of continuous trainings to our design and development staff

We intend to provide continuous trainings to our design and development staff to help improve their technical skills and support their professional development. Training includes (i) regular in-house training by senior designers in relation to product knowledge and characteristics of our products; (ii) attending external training courses in relation to the latest product development and use of technology; and (iii) allowing our designers to participate in external trade fairs in the PRC and abroad to gain better knowledge of market trend.

We intend to utilise an aggregate sum of approximately RMB1.8 million (equivalent to approximately HK$2.1 million) for the above provision of continuous trainings to our design and development staff, and all of which will be from the net proceeds from the Global Offering, representing approximately 2.3% of the net proceeds from the Global Offering.

(iv) Co-operate with universities and research institutes in the PRC to conduct research initiatives

We plan to enter into cooperation agreements with universities and other external research institutes to jointly carry out research projects focusing on the use of materials, the development of more product features, functionalities and the strengthening of production technologies. For example, through our research initiatives with these universities and research institutes, we can explore the possibility of using more environmentally friendly raw materials in our production process and/or the manufacturing techniques that will render our production process more efficient. The findings and results of the research shall belong to our Group. To avoid any possible contention on the intellectual right of the research findings, our cooperation agreements with the universities or external research institutions will expressly delineate the rights and obligations of each party in the conduct of the research works and to confer the ownership of the findings or results of the researches to us. We shall also be entitled to apply for registration of the findings or the result of the research as our invention patent, model patent, design patent, as the case may be, in the PRC for the production of our new products or for improving our production techniques.

We intend to utilise an aggregate sum of approximately RMB0.7 million (equivalent to approximately HK$0.8 million) for the above cooperation with universities and research institutes in the PRC, of which approximately RMB0.3 million (equivalent to approximately HK$0.3 million), representing approximately 0.4% of the net proceeds from the Global Offering will be used for this purpose and the remaining sum of approximately RMB0.4 million (equivalent to approximately HK$0.5 million) will be funded by our internal resources and/or bank loans.

OUR BUSINESS MODEL

We are principally engaged in the design, development, manufacture and sale of a wide variety of laundry products, household cleaning tools and kitchen gadgets, which are common items of household necessity products, for well-established international brands on an OEM or ODM basis. We generate our revenue predominantly from overseas sales, and our sales are primarily denominated in USD while our cost of sales are primarily denominated in RMB. While most of our overseas sales take place in the PRC, some of which are concluded in Hong Kong and the United Kingdom. We source raw materials principally from our suppliers in the PRC and our production takes place in our Huzhou Production Plant in the PRC. We generally deliver our products to the designated warehouses or departure ports in the PRC and our customers arrange the overseas delivery to the countries such as the United States, the United Kingdom, Germany and Australia. Since December 2017, we have started designing, manufacturing and selling products under our own "*Jia Ji Bao*" (家吉寶) brand in the PRC.

The table below sets forth the breakdown of our revenue by mode of operation for the years and periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	Revenue RMB'000	*% of total revenue*	*Revenue RMB'000*	*% of total revenue*	*Revenue RMB'000*	*% of total revenue*	*Revenue RMB'000* (unaudited)	*% of total revenue*	*Revenue RMB'000*	*% of total revenue*
OEM	248,094	75.5	248,818	73.9	294,702	76.6	81,093	71.8	93,578	74.1
ODM	79,698	24.2	87,354	26.0	87,543	22.8	31,720	28.1	30,935	24.5
OBM	956	0.3	381	0.1	2,495	0.6	29	0.1	1,727	1.4
Total	**328,748**	**100**	**336,553**	**100**	**384,740**	**100**	**112,842**	**100**	**126,240**	**100**

OEM, ODM and OBM sale

Our OEM business involves the manufacture and sale of products based on customers' specifications and guidelines. We generally receive a product package from our customers, which includes target ex-factory unit price, technical drawings, specifications, the exact samples that they engage us for mass production and/or the choice of raw materials. Alternatively, our customers may also provide us with the name(s) of the designated supplier(s) from whom we would purchase and procure raw materials to be used for production. To differentiate us from other manufacturers, our product development team will provide inputs on the technical feasibility of mass production of the product in terms of the product's design, production method and materials to be used for production. We will evaluate costing on the indicative ex-factory unit price provided by the customers. If we decide to accept the customers' offer, we will inform the customers the kind of raw materials that we need to manufacture the products as well as the mark-up costs of those components and parts.

For products developed and manufactured on an ODM basis, our customers would generally provide us with their ideas and concepts of the products and we would transform their ideas and concepts into physical products with certain degree of involvement by our product design and development team on a case-by-case basis. Our ODM business also leverages on the capabilities of our product design and development team to create designs in line with the current market trend, enabling our customers to enjoy our "one-stop service" in terms of design, selection of raw materials, production, and quality control for their tailor-made products. Our ODM customers may also provide us with specific requirements for production, which may be related to the compliance with relevant safety and quality standards on materials, packaging and labelling.

For both OEM and ODM sales, our product development team produces the first prototype of a new product in our prototype workshop for our customers. We work with our customers to refine the prototype, adjust the specifications and negotiate on the ex-factory unit price, if necessary. Where requested by customers, our production team may manufacture sales samples for the customers. After obtaining approval from our customers on the designs and specifications, we will issue sales confirmation to record product details and terms of our sales. We will then proceed to mass production. Products are packed and labeled according to our customer's instruction.

Both our OEM and ODM customers may send personnel to our Huzhou Production Plant to inspect the products to ensure that the products comply with their requests and specifications. The finished products are then packaged and delivered to them.

During the Track Record Period, we also generated a small portion of our revenue from the sale of products under our own brand, namely "*Jia Ji Bao*" (家吉寶), to local customers in the PRC.

Our business model relating to our sales can generally be summarised as follows:

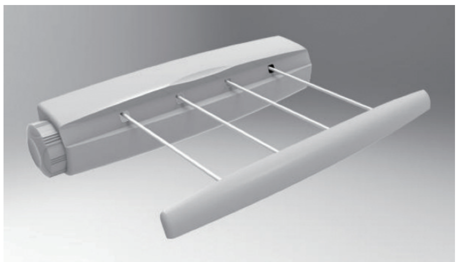
<table>
<tr><th></th><th>ODM</th><th>OEM</th><th>OBM</th></tr>
<tr><th></th><th colspan="2">Overseas sales and PRC</th><th>PRC</th></tr>
<tr><td>Product design and development</td><td>• Our customers provide the ideas and concepts of the products.
• Through communication and exchange of ideas with the customers, our product design and development team then generates our design, specifications and drawings.</td><td>• Our customers provide us with their specific product design or specifications or technical drawings, and our product design and development team will evaluate the feasibility of mass production.
• If necessary, we then discuss with the customers for possible enhancements and improvement.</td><td>• Our product design and development team designs our product with its experience and expertise, with reference to prevailing market trend.</td></tr>
<tr><td>Orders origination and Pre-production</td><td colspan="2">• Once the design is confirmed, we will select a third party mould supplier from our internal approved list to cast the mould.
• Prototype is produced for testing and provide some mould modification if necessary. We will ship a batch of samples to our customers for their confirmation.
• Our customers generally place purchase order with us with the agreed ex-factory unit price, specifications, order volume and other payment and delivery terms. Our procurement team orders such materials from suppliers and deliver to our Huzhou Production Plant.</td><td>• Once the design is confirmed, we will select a third party mould supplier from our internal approved list to produce the mould of such products.
• Our QACA ensures raw materials would satisfy our specifications before they are accepted and further processed.</td></tr>
<tr><td>Confirmation of sales order/product offering</td><td colspan="2">• Customers will confirm the sales order with us.</td><td>• After the samples or prototypes have passed all the relevant tests, we will determine the commercial launching time of the new products on e-shops.</td></tr>
<tr><td>Manufacturing and Quality control</td><td colspan="2">• We purchase appropriate raw materials from our approved suppliers.
• Upon the receipt of purchase order, we will proceed to manufacture the products.</td><td>• We will keep a certain level of inventory before the orders of this product are made.</td></tr>
<tr><td>Logistics</td><td colspan="2">• Products that pass inspection are then packed and delivered to our customers generally on FOB terms.</td><td>• We then package and arrange delivery of the products.</td></tr>
<tr><td>Complaint handling</td><td colspan="3">• Our sales and marketing team handles complaints, product return or replacement.</td></tr>
</table>

Confirmation of order ~ 2 days
↓
Materials procurement ~ 15 days
↓
Mass production, packaging and delivery ~ 20 days

Based on the experience of our Directors, pre-production to product delivery generally takes 30 days to 60 days.

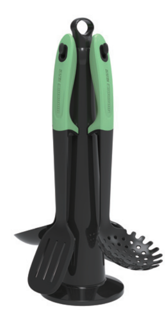
Below are sample product images of products manufactured in the OBM business model under our brand name "*Jia Ji Bao*" (家吉寶):

Laundry products



Household cleaning tools

Kitchen gadgets



OUR BUSINESS OPERATION

Our products are primarily manufactured and sold to international brand owners or their authorised agents on an OEM or ODM basis for resale as wholesaler or retailer in overseas markets. Since December 2017, we have started designing, manufacturing and our products under our own "*Jia Ji Bao*" (家吉寶) brand in the PRC, thereby commencing our OBM business, and our business operation would generally involve (i) product design and development, especially for our ODM and OBM products; (ii) orders origination; (iii) confirmation of sales orders or product offering; (iv) manufacturing; (v) quality control; (vi) logistics; and (vii) complaint handling.

Product design and development

Being a supplier of laundry products, household cleaning tools and kitchen gadgets on OEM or ODM basis, we need to impress our customers with our product mix and our large-scale production capacity to achieve economies of scale and our production efficiency. To our ODM customers, we also need to showcase our product design and supply chain management capabilities in order to secure purchase orders from them. Therefore, we place emphasis on market research, product development and enhancement of our production capacity, which together form an integral part of our business and operation. Our sales and marketing team is responsible for gathering information on the latest trend of household necessity products, evaluating industry trends and products of our competitors, understanding our target customers' requirements and their preference; and our production team together with our product design and development team are responsible for formulating product development proposal and enhancing our production efficiency.

Orders origination

We generate our business primarily by word of mouth and participating in exhibitions. In these exhibitions, we promote both our new and existing products. We also pay regular visits to existing customers to collect feedback from them about our products, their preference and estimated purchased orders to be placed on us and receive orders from our recurring customers.

As an OEM or ODM supplier for well-established international brands in household necessity products, our customers generally visit our Huzhou Production Plant to ensure we have adequate capacity and to inspect our production and quality control processes and verify the relevant certificates and licences we obtained for our products. Some of our recurring customers may also conduct an updated on-site factory audit on a regular basis to ensure we are able to continuously comply with their requested production standards, quality control process and production specifications.

Confirmation of sales orders or product offering

Based on the specific requirements and specifications of individual customers, we select mould producing companies for mould production if we do not have the relevant moulds for production, and then provide samples and test reports to customers. Occasionally, we will be provided the moulds for production by our customers. Once the customers have confirmed the designs and specifications and are satisfied with our product samples, we will issue sales confirmation to our customers to record the type and quantity of the products and the payment terms. After the customers have agreed on the final samples and the terms of the purchase orders, we will proceed with procurement of raw materials and manufacture of the products.

Manufacturing

After receipt of purchase orders from our customers, our production team will analyse our then production capacity, work out the most cost-effective way in carrying out the production and finalise our internal procurement and production plan and schedule. Our existing ERP system provides information that helps us optimise our then available production capacity in production, keep track on the production process and document the process from transformation of raw materials to finished goods. In general, after the internal procurement and production plan and schedule are finalised, our procurement team will order the necessary materials from our list of approved suppliers.

Quality control

We place great emphasis on the quality of our products. Our products must meet the stringent requirements of our customers and comply with the applicable safety and certification standards. In this connection, we have implemented a series of quality control measures throughout the production process, from incoming materials to finished products. For further details, please refer to the paragraphs headed "Quality control and quality assurance" in this section.

Our QAQC team performs visual in-line inspection and check items such as surface of the products, notches, suture for laundry products, and the condition of the work in progress. If any defects are spotted, the work in progress will be sent back to the relevant station for reprocessing. Our QAQC team and individual customers' on-site inspection personnel perform final checking on finished goods. In addition to visual inspection of the products, product labels, merchant cards, shipping marks on packaging are also checked.

Logistics

For overseas sales that are mainly under ODM or OEM basis, the term of delivery is principally free on board (FOB), under which we are responsible for handling export clearance and domestic transportation. We will arrange for the delivery of products to the port of shipment designated by our overseas customers. The selling price of our products is inclusive of logistics expenses incurred in the PRC. Our overseas customers will generally be responsible for the shipment cost and import duties of the importing countries. For the sales of our own-brand products in the PRC via e-shops operated by Independent Third Party in the PRC, we generally deliver the products to customers by couriers and we bear the logistics cost. We utilise a RFID system to help us efficiently and effectively manage the delivery of our products. For further details, please refer to the paragraphs headed "Delivery and logistics" in this section.

Complaint handling

Our sales and marketing team is responsible for following up customers' complaints on product quality, if any, and investigating the complaints. Once a customer's complaint has been confirmed, we will arrange for refund or product replacement. Our sales and marketing team also maintains regular communications with our customers through physical visits and multiple channels to collect customers' feedback on our products in order to have a better understanding of their business needs, to catch up on the latest market trends and to acquire first-hand market information. The market information and customer feedback collected by us will be shared with our product design and development team for product planning and improvement. During the Track Record Period, we had not encountered any product return or recall which had material impact on us. For details about our complaint handling, please refer to the paragraphs headed "After sale services and product return" in this section.

OUR PRODUCTS

Our household necessity products can be broadly categorised into (i) laundry products; (ii) household cleaning tools; and (iii) kitchen gadgets. As at the Latest Practicable Date, we offered over 1,800 types of products with various functions and features for both our OEM and ODM customers or under our own "*Jia Ji Bao*" (家吉寶) brand.

The table below sets forth the breakdown of the revenue, gross profit and gross profit margin by product category for the years and periods indicated:

	For the year ended 31 December									For the four months ended 30 April					
	2018			2019			2020			2020			2021		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	%	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	%	*RMB'000* (unaudited)	*RMB'000* (unaudited)	%	*RMB'000*	*RMB'000*	%
Laundry products	159,029	45,062	28.3	165,008	47,790	29.0	176,963	52,734	29.8	69,075	22,429	32.5	78,471	22,283	28.4
Household cleaning tools	164,386	44,415	27.0	166,712	45,065	27.0	192,025	56,556	29.5	41,018	12,966	31.6	46,452	12,183	26.2
Kitchen gadgets	5,333	1,542	28.9	4,833	1,574	32.6	15,752	4,998	31.7	2,749	894	32.5	1,317	357	27.1
Total	**328,748**	**91,019**	**27.7**	**336,553**	**94,429**	**28.1**	**384,740**	**114,288**	**29.7**	**112,842**	**36,289**	**32.2**	**126,240**	**34,823**	**27.6**

The table below sets forth the categories of our products:

Category	Product	Product description	Approximate price range
			(RMB)
Laundry products	Rotary drying racks 	The rotary drying rack comes with several lines on each of its sides, and a ground socket for an easy, fast, and concrete installation.	17–338
	Foldable/upright drying racks 	The foldable/upright drying rack does not require professional installation. It is practical for families without a balcony at home.	12–299
	Wall-mounted drying racks 	The design of extendable drying racks makes it easy to dry clothes, while occupying minimal space especially when not in use.	56–183
	Others 	Others include retractable clothesline, knobs, clips, etc..	3–320
Household cleaning tools	Floor cleaning tools 	Tools that are used to clean the floor, such as mops.	7–70

Category	Product	Product description	Approximate price range
			(RMB)
	Glass cleaning tools   	Tools that are used to clean glass, such as window cleaners.	9–114
	Toilet cleaning tools   	Tools that are used to clean toilets, such as toilet bowl brushes.	2–30
Kitchen gadgets	  	Gadgets with innovative design of conventional cooking utensil.	7–43

PRODUCT DESIGN AND DEVELOPMENT

Product design and development team

We place great emphasis on our product design and development by offering a diversified range of quality products. As at the Latest Practicable Date, our product design and development team consisted of 11 staff members with our product technicians having on average nine years of experience in design and development.

Our production design and development team is primarily responsible for enhancing the functions and the design of our existing products or developing new products on ODM and OBM basis. To protect the intellectual property rights of our product design and development, we have obtained patents in relation to some designs of our products. For details of our patents, please refer to the paragraphs headed "Intellectual property rights of our Group" in Appendix IV to this prospectus.

Product design and development process

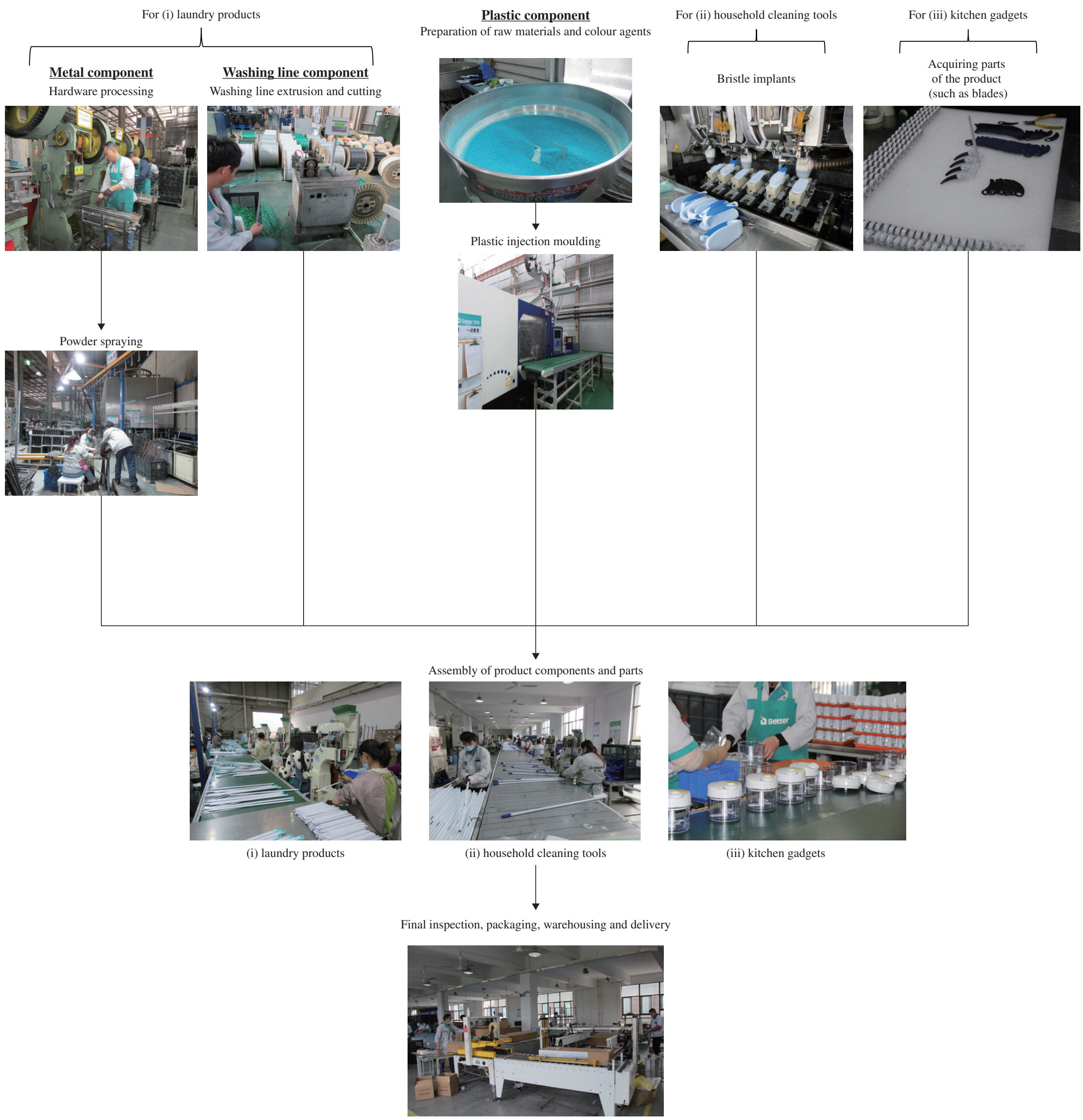
Our product design and development process can be generally divided into three stages: (i) market assessment and market feedback; (ii) product drawing and visual design; and (iii) manufacturing and technical feasibility evaluation.

Subject to our capacity, resources level, complexity of design and customers' requirements, we will from time to time engage third-party design companies to work alongside our production team throughout the entire product design and development process. According to our terms of engagement with these third-party design companies, our product design and development team is responsible for incepting the concept of new products and devising a work plan; meanwhile, the third-party design company will work in accordance with the aforementioned work plan to create and modify designs for our products. Our Directors believe that this allows us to leverage the expertise and experience of these external design companies in the PRC local market to accommodate market needs.

OUR PRODUCTION

Most of the production processes of our products are undertaken by a combination of machinery and equipment and manual workers. Our production processes comply with the standards of ISO 9001, ISO 14001 and OHSAS 18001/ISO45001. As at the Latest Practicable Date, we had washing line extruding lines, plastic injection machines, brush filling machines and powder coating lines, being principal machinery and equipment for production of our products.

The following flow chart shows the major steps generally involved in our production process of (i) laundry products, which are generally composed of plastic, metal and washing lines; (ii) household cleaning tools, which are generally made of plastic; and (iii) kitchen gadgets, which are generally made of plastic and other parts we acquired from external parties:



Plastic components

Preparation of raw materials and colour agents

Raw materials such as polypropylene resins undergo heating. Depending on the composite of the product type, different admixtures are blended with the formula to cope with the requirements of the products. Depending on the situation, different colour agents may be added.

Plastic injection moulding

Plastic injection moulding is our key manufacturing process for production of plastic components of our products. It requires the use of plastic injection machines, raw materials such as polypropylene resins, and a mould whereby polypropylene resins are fed into a heated barrel, melted, and then injected into the mould capacity, where it cools and solidifies into the shape of the mould.

Metal components

Hardware processing

The hardware would be cut into sizes based on the product requirements using cutting machines and be polished. With the help of punching machines, the hardware would be pressed and further processed into the shape of the mould. The surface of the hardware will be polished until it becomes smooth before it undergoes the powder spraying process. The semi-finished hardware parts are then cooled down and solidified to the desired shapes.

Powder spraying

The semi-finished hardware parts are placed on the assembly line and sprayed by the powder spraying machine. After the parts are completely dry, they would be inspected to ensure that the surface of the products is free of defects and that the film thickness meets the standard requirements.

Washing line extrusion and cutting

The washing lines of the laundry rotaries are extruded by washing line extruding machines and samples are taken for physical testing for quality control and assurance. The washing lines are then cut into certain length based on the products' specifications.

Assembly of product components and parts

After the plastic components have been moulded into shape and decorated based on customers' requirements, it will be assembled with other parts in the assembly line.

In the production of our laundry products, the plastic components will be assembled with the hardware parts and the washing lines in the assembly line.

In the production of our household cleaning tools such as dustpans and brush sets, the bristles of the brush would be implanted into the plastic brush body manufactured from the plastic injection machine using the bristle planting machine.

In the production of our kitchen gadgets such as kitchen knives, components such as blades will be assembled with the plastic components manufactured from the plastic injection machine.

Final inspection, packaging, warehousing and delivery

Our QAQC team would conduct a final inspection on our finished products meet our quality control requirements. After that, we would package the finished products and arrange them to our warehouse for delivery as per customers' specific requests. In general, the typical lead time between our receiving a purchase order and delivery is approximately 30 days to 60 days.

PRODUCTION FACILITY

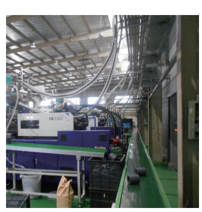
During the Track Record Period and as at the Latest Practicable Date, we owned and operated one production plant, namely, Huzhou Production Plant. We plan to set up the New Production Plant to complement the operation of our Huzhou Production Plant, by undertaking mainly the plastic injection moulding process in relation to the production of the plastic components of our products. The funding for setting up the New Production Plant will be partly from the net proceeds of the Global Offering and partly from our internal resources.

Our existing production facility

During the Track Record Period and as at the Latest Practicable Date, our Huzhou Production Plant was located at No. 378 Guangming Street, Fuxi Road, Deqing County, Huzhou City, Zhejiang Province, the PRC* (中國浙江省湖州市德清縣阜溪街道光明街378號), with a gross floor area of approximately 58,441 sq.m.. As advised by our PRC Legal Advisers, we obtained all the relevant licences and certificates required to operate our Huzhou Production Plant.

Our production machinery and equipment

We purchase our production machinery and equipment predominantly in the PRC. We have a comprehensive repair and maintenance procedures for our production machinery and equipment, including regular inspection and cleaning of our machinery and equipment to ensure our production lines run properly. During the Track Record Period, we had not experienced any material or prolonged interruption to our production processes due to equipment or machinery failure. The table below sets forth information on our major production machinery and equipment as at 30 April 2021:

Type of machinery and equipment		Principal use	Quantity	Estimated useful lives	Approximate average remaining useful lives
			(units)	*(years)*	*(years)*
Plastic injection machines		Used for moulding melted polypropylene resin mixture in its mould cavity to manufacture the plastic parts of our products	64	10	3.5
Automated robotic arms		Used for picking up the finished products when they are cooled and ejected from the plastic injection machines	41	10	5.3
Conveying belt and system		Used for carrying the work-in-progress pieces to different production stations	37	10	4.0
Powder coating machines		Used for coating of metal with powder, which is either thermoplastic or thermoset polymer powder	27	10	6.8

Type of machinery and equipment		Principal use	Quantity	Estimated useful lives	Approximate average remaining useful lives
			(units)	*(years)*	*(years)*
Washing line extruding lines		Used to extrude washing lines of the laundry rotaries	2	10	0.2
Brush filling machines		Used for filling of brushes into plastic bases for our household cleaning tools	17	10	5.5
Plastic spraying machine		Used for spray painting on our products with a high level of concentration	1	10	0
Stamping press machines		Used to precisely shape or cut metal to specifications	19	10	0.3

Plastic injection moulding process is our most crucial production process because the production process of most our laundry products, household cleaning tools and kitchen gadgets generally involves this process for production of their plastic components. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, the products we manufactured and sold which did not involve the plastic injection moulding process were mainly auxiliary items such as washing lines, airer covers and certain spare parts, and the revenue generated from such products only accounted for approximately 8.6%, 8.2%, 7.3% and 7.6% of our total revenue, respectively. As such, our Directors consider that the bottleneck in the manufacturing of our products is plastic injection moulding process as the capacity of such process largely determines the output of our products and it is impossible for us to progress further in our production unless we increase the capacity of this plastic injection moulding process. The production capacity of our plastic injection machines is therefore used to calculate our production capacity of our products during the Track Record Period.

The following table sets forth our effective designed capacity, actual production volume and utilisation rate of our production facility during the Track Record Period:

	For the year ended 31 December									For the four months ended 30 April		
	2018			2019			2020			2021		
Product type	Effective designed capacity	Converted actual production volume	Utilisation rate	Effective designed capacity	Converted actual production volume	Utilisation rate	Effective designed capacity	Converted actual production volume	Utilisation rate	Effective designed capacity	Converted actual production volume	Utilisation rate
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 1, 6)*	*(Note 2)*	*(Note 3)*	*(Note 1, 7)*	*(Note 2)*	*(Note 3)*
	('000 unit)	*('000 unit)*	*(%)*	*('000 unit)*	*('000 unit)*	*(%)*	*('000 unit)*	*('000 unit)*	*(%)*	*('000 unit)*	*('000 unit)*	*(%)*
Laundry products *(Note 4)*	958	904	94.4	958	918	95.8	1,116	1,016	91.0	384	358	93.2
Household cleaning tools *(Note 5)*	4,701	4,657	99.1	5,622	5,275	93.8	5,786	5,498	95.0	2,275	2,121	93.2
Kitchen gadgets	263	173	65.8	263	166	63.1	455	448	98.5	50	43	86.0

Notes:

1. The effective designed capacity is determined on the following assumptions:

   (i) As the manufacturing time of our products varies from model to model (ranging from approximately 14 to 770 seconds for laundry products, 50 to 360 seconds for household cleaning tools and 150 to 500 seconds for kitchen gadgets), for the purpose of providing a more meaningful illustration and comparison of the production capacity of our machinery and equipment from period to period, we have selected a common type of model of our laundry products (which takes 550 seconds to manufacture), household cleaning tools (which takes 130 seconds to manufacture) and kitchen gadgets (which takes 480 seconds to manufactures) as the standardised model in calculating our effective designed capacity based on the production of the standardised model and taking into account the difference in the manufacturing time for other models of our products.

   (ii) Subject to notes 4 and 5, the effective designed capacity is calculated based on the maximum capacity of the machinery and equipment multiplied by 20 working hours per day multiplied by 350, 350, 337 and 111 days for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, respectively, taking into account factors including the public holidays, the required repair and maintenance time and the temporary suspension due to the outbreak of COVID-19.

2. The converted actual production volume is calculated by converting the actual production volumes of different models of our products during the relevant period to a common type of model of our products as the standardised model and taking into account the difference in the manufacturing time of our products with reference to the manufacturing time of the standardised model, for the purpose of providing a more meaningful comparison. The actual production volume of different products for the relevant period was then converted in terms of the number of units of the standardised model.

3. Utilisation rate is derived by dividing the actual production volume by the effective designed capacity during the relevant year/period.

4. We acquired two and four plastic injection machines for the production of laundry products in the fourth quarter of 2019 and 2020, respectively. The production capacity of such plastic injection machines acquired at the end of 2019 and 2020 have minimal contribution to the effective designed capacity of laundry products for the years ended 31 December 2019 and 2020, respectively. We disposed of four plastic injection machines in the fourth quarter of 2020. As at 31 December 2020, our maximum annual designed capacity of laundry products is approximately 1,058,000 units.

5. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, we acquired one, 11, nil and nil plastic injection machines, respectively. The effective designed capacity for each year has taken into account the time of commencement of commercial production of the above newly acquired plastic injection machines. As at 31 December 2020, our maximum annual designed capacity of household cleaning tools is approximately 6,978,000 units.

6. As our plastic injection machines are interchangeable for the production of different product types, in order to cope with the fact that our machinery and equipment usually assigned for the production of laundry products and kitchen gadgets were running close to its full utilisation, machines generally assigned for the production of household cleaning tools were temporarily used for the production of laundry products and kitchen gadgets for the year ended 31 December 2020. For the year ended 31 December 2020, (i) one plastic injection machines generally assigned for the production of household cleaning tools were temporarily used for the production of laundry products and (ii) four plastic injection machines generally assigned for the production of household cleaning tools were temporarily used for the production of kitchen gadgets.

7. For the four months ended 30 April 2021, (i) three plastic injection machines generally assigned for the production of kitchen gadgets were temporarily used for the production of laundry products and (ii) one plastic injection machines generally assigned for the production of kitchen gadgets were temporarily used for the production of household cleaning tools.

Utilisation rate of our machinery for production of our products

The utilisation rate of our machinery for production of household cleaning tools decreased from approximately 99.1% for the year ended 31 December 2018 to approximately 93.8% for the year ended 31 December 2019. Such decrease was mainly due to (i) the increase in the effective designed capacity from approximately 4.7 million units to approximately 5.6 million units as 11 plastic injection machines had been acquired in 2019.

The utilisation rate of our machinery for production of kitchen gadgets increased from approximately 63.1% for the year ended 31 December 2019 to approximately 98.5% for the year ended 31 December 2020. Such increase was in line with the overall increase in our production volume and sales of our kitchen gadgets. The utilisation rate of our machinery for production of kitchen gadgets decreased from 98.5% for the year ended 31 December 2020 to 86.0% for the four months ended 30 April 2020. Such decrease was in line with the overall decrease in sales of our kitchen gadgets.

To further illustrate the utilisation rate of our production facility, the following table sets forth the utilisation rate of our plastic injection machines in terms of production time during the Track Record Period:

	For the year ended 31 December									For the four months ended 30 April		
	2018			2019			2020			2021		
	Effective designed production time	Actual production time	Utilisation rate	Effective designed production time	Actual production time	Utilisation rate	Effective designed production time	Actual production time	Utilisation rate	Effective designed production time	Actual production time	Utilisation rate
	(Note 1) *('000 hours)*	*('000 hours)*	*(Note 2)* *(%)*	*(Note 1)* *('000 hours)*	*('000 hours)*	*(Note 2)* *(%)*	*(Note 1)* *('000 hours)*	*('000 hours)*	*(Note 2)* *(%)*	*(Note 1)* *('000 hours)*	*('000 hours)*	*(Note 2)* *(%)*
Laundry product	133	127	95.5	134	130	97.0	142	137	96.5	53	52	98.1
Household cleaning tools	170	169	99.4	199	191	96.0	222	216	97.3	82	80	97.6
Kitchen gadgets	35	24	68.6	35	23	65.7	54	53	98.1	7	6	85.7

Notes:

1. The effective designed production time is calculated by 20 working hours per day multiplied by 350, 350, 337 and 111 days for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, respectively, taking into account factors including the public holidays and the required repair and maintenance time.

2. Utilisation rate is derived by dividing the actual production time by the effective designed production time during the relevant year.

OUR SALES AND CUSTOMERS

Over the years of operation, we have built up a wide international customer base. Our customers are mainly owners or authorised agents of well-established international brands which resell our products in overseas countries such as the United States, the United Kingdom, Germany, Australia and other overseas countries as wholesaler, such as Bradshaw Group or as retailer.

Most of our customers during the Track Record Period were located in the United States, the United Kingdom, Germany and Australia, with a few customers located in other countries including Austria, Belgium, France, etc. Our sales and marketing activities are primarily handled by our sales and marketing team. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, excluding sales made to our customers on e-shops, we had a total of approximately 41, 47, 48 and 38 customers, respectively. During the Track Record Period, revenue generated from these customers amounted to approximately RMB327.8 million, RMB336.2 million, RMB383.4 million and RMB126.2 million, respectively. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, the number of our recurring wholesale and retail customers was 31, 33, 39 and 37, respectively, contributing approximately RMB325.3 million, RMB333.0 million, RMB382.1 million and RMB125.6 million, respectively, to our revenue over the same year or period.

The following table sets forth the breakdown of our revenue by the destination of delivery of our products for the years and periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
United States	147,544	44.9	149,571	44.4	178,109	46.3	35,572	31.5	33,984	26.9
United Kingdom	62,070	18.9	60,538	18.0	61,593	16.0	26,593	23.6	26,253	20.8
Germany	52,690	16.0	62,740	18.6	61,764	16.1	26,513	23.5	35,202	27.9
Australia	40,156	12.2	38,075	11.3	40,542	10.5	11,065	9.8	9,116	7.2
Others *(Note)*	26,288	8.0	25,629	7.7	42,732	11.1	13,099	11.6	21,685	17.2
Total	**328,748**	**100**	**336,553**	**100**	**384,740**	**100**	**112,842**	**100**	**126,240**	**100**

Note: Others include Austria, Belgium, France, New Zealand, the Netherlands, Canada, etc..

For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, approximately 92.0%, 92.3%, 88.9% and 82.8%, respectively, of our revenue was attributable to sales delivered to the United States, the United Kingdom, Germany and Australia, and many of them were recurring customers during the Track Record Period.

Our OEM or ODM customers generally resell our products as wholesaler or retailer in overseas countries. Our Group also sells our own "*Jia Ji Bao*" (家吉寶) branded products in the local markets in the PRC through e-shops, such as taobao.com (淘寶網). The following table sets forth the breakdown of our revenue by customer type in terms of the sales channel of our products and the revenue generated from each customer type as a percentage of our revenue during the years and periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	Revenue RMB'000	*% of total revenue*	*Revenue RMB'000*	*% of total revenue*	*Revenue RMB'000*	*% of total revenue*	*Revenue RMB'000* (unaudited)	*% of total revenue*	*Revenue RMB'000*	*% of total revenue*
Wholesalers *(Note 1)*	258,231	78.5	268,639	79.8	310,851	80.8	84,041	74.5	91,354	72.3
Retailers *(Note 2)*	69,561	21.2	67,606	20.1	72,511	18.8	28,261	25.0	34,811	27.6
Others *(Note 3)*	956	0.3	308	0.1	1,378	0.4	540	0.5	75	0.1
Total	328,748	100	336,553	100	384,740	100	112,842	100	126,240	100

Notes:

1. The wholesalers include companies mainly engaged in the on-sale of our products to other business entities.

2. The retailers are companies mainly engaged in the sale of our products to consumers through chains of multinational supermarkets, department stores and household accessory stores.

3. Others mainly represent sales through e-shops.

The following table sets out the number and movement of each type of our customers during the Track Record Period:

	Wholesalers	Retailers	Total
As at 1 January 2018	18	19	37
Addition during the year	3	7	10
Reduction during the year *(Note 1)*	(3)	(3)	(6)
As at 31 December 2018	18	23	41
As at 1 January 2019	18	23	41
Addition during the year	5	9	14
Reduction during the year *(Note 1)*	(3)	(5)	(8)
As at 31 December 2019	20	27	47
As at 1 January 2020	20	27	47
Addition during the year	5	4	9
Reduction during the year *(Note 1)*	(4)	(4)	(8)
As at 31 December 2020	21	27	48
As at 1 January 2021	21	27	48
Addition during the period	1	—	1
Reduction during the period *(Note 1)*	(7)	(4)	(11)
As at 30 April 2021 *(Note 2)*	15	23	38

Note:

1. The reductions in number of customers during the Track Record Period were related to customers which had insignificant sale amounts with the Group and such orders were placed at ad hoc basis.

2. After 30 April 2021 and up to the Latest Practicable Date, eight customers out of such 11 customers which had not conducted business with us for the four months ended 30 April 2021 has placed purchase orders with our Group.

Our five largest customers during the Track Record Period

During the Track Record Period, our Group did not experience any major disruption in our business and operations caused by any material delays or default of payments by our customers. Our Directors further confirm that we did not have any legal or arbitration proceedings or pending or threatened legal or arbitration proceedings with any of our major customers or any material sales return or cancellation from our major customers, which would cause any material adverse effect on our business and operations during the Track Record Period.

As at 31 December 2020, the length of our business relationship with our five largest customers ranged from approximately seven to ten years. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, the revenue generated from our five largest customers in aggregate accounted for approximately 77.9%, 76.9%, 80.5% and 72.9% respectively, of our total revenue for the corresponding years/period. The following table sets out the background information about our five largest customers for the years and periods specified:

For the year ended 31 December 2018

Rank	Customer	Principal business activities	Products sold to customers	The year our customer started to do business with us	Revenue	Approximate percentage to our revenue	Credit period and payment method
					RMB'000		
1	Bradshaw Group	A US headquartered private company and its group companies that engage in the sales of cleaning accessories and kitchen tools with products selling in over 45,000 retail outlets across the US and Canada.	Laundry products and household cleaning tools	2010	138,718	42.2%	60 days, telegraphic transfer

Rank	Customer	Principal business activities	Products sold to customers	The year our customer started to do business with us	Revenue	Approximate percentage to our revenue	Credit period and payment method
					RMB'000		
2	Customer A	A Germany headquartered company listed on the Frankfurt Stock Exchange and its group companies engage in the production and distribution of kitchen and household products to more than 80 countries with revenue of approximately EUR258.7 million for the year ended 31 December 2020 and a market capitalisation of approximately EUR355.5 million as at the Latest Practicable Date.	Laundry products, household cleaning tools and kitchen gadgets	2010	43,069	13.1%	60 days, telegraphic transfer
3	Customer B	An Australia private company that engages in the sales of clotheslines, wheelbarrows and laundry products nationally and internationally with a paid-up capital of approximately AUD100.	Laundry products	2011	40,222	12.2%	30 days, telegraphic transfer
4	Customer C	A UK headquartered company listed on the London Stock Exchange and its group companies that engage in the sales of home improvement products, with over 1,300 stores in 10 European countries with revenue of approximately GBP12.3 billion for the year ended 31 January 2021 and a market capitalisation of approximately GBP7.1 billion as at the Latest Practicable Date.	Laundry products and household cleaning tools	2011	18,158	5.5%	100 days, telegraphic transfer

Rank	Customer	Principal business activities	Products sold to customers	The year our customer started to do business with us	Revenue	Approximate percentage to our revenue	Credit period and payment method
					RMB'000		
5	Casa Si Marketing — und VertriebsgmbH	An Austria headquartered private company with its group company that mainly engages in the sales of laundry airer, ironing boards and stepstools with a registered capital of approximately EUR36,500.	Laundry products	2013	16,081	4.9%	Upon delivery, telegraphic transfer at sight
	Total				**256,248**	**77.9%**	

For the year ended 31 December 2019

Rank	Customer	Principal business activities	Products sold to our customers	The year our customer started to do business with us	Revenue	Approximate percentage to our revenue	Credit period and payment method
					RMB'000		
1	Bradshaw Group	A US headquartered private company and its group companies that engage in the sales of cleaning accessories and kitchen tools with products selling in over 45,000 retail outlets across the US and Canada.	Laundry products and household cleaning tools	2010	139,224	41.4%	60 days, telegraphic transfer

Rank	Customer	Principal business activities	Products sold to our customers	The year our customer started to do business with us	Revenue	Approximate percentage to our revenue	Credit period and payment method
					RMB'000		
2	Customer A	A Germany headquartered company listed on the Frankfurt Stock Exchange and its group companies that engage in the production and distribution of kitchen and household products to more than 80 countries with revenue of approximately EUR258.7 million for the year ended 31 December 2020 and a market capitalisation of approximately EUR355.5 million as at the Latest Practicable Date.	Laundry products, household cleaning tools and kitchen gadgets	2010	55,388	16.5%	60 days, telegraphic transfer
3	Customer B	An Australia private company that engages in the sales of clotheslines, wheelbarrows and laundry products nationally and internationally with a paid-up capital of approximately AUD100.	Laundry products	2011	36,143	10.7%	30 days, telegraphic transfer
4	Casa Si Marketing — und VertriebsgmbH	An Austria headquartered private company with its group company that mainly engages in the sales of laundry airer, ironing boards and stepstools with a registered capital of approximately EUR36,500.	Laundry products	2013	14,970	4.4%	Upon delivery, telegraphic transfer at sight
5	Addis Housewares Co. Ltd.	A UK private company that engages in the sales of houseware products with a registered capital of approximately GBP500,000.	Laundry products, household cleaning tools and kitchen gadgets	2011	13,178	3.9%	60 days, telegraphic transfer
	Total				**258,903**	**76.9%**	

For the year ended 31 December 2020

Rank	Customer	Principal business activities	Products sold to our customers	The year our customer started to do business with us	Revenue	Approximate percentage to our revenue	Credit period and payment method
					RMB'000		
1	Bradshaw Group	A US headquartered private company and its group companies that engage in the sales of cleaning accessories and kitchen tools with products selling in over 45,000 retail outlets across the US and Canada.	Laundry products and household cleaning tools	2010	160,712	41.8%	75 days, telegraphic transfer
2	Customer A	A Germany headquartered company listed on the Frankfurt Stock Exchange and its group company that engage in the production and distribution of kitchen and household products to more than 80 countries with revenue of approximately EUR258.7 million for the year ended 31 December 2020 and a market capitalisation of approximately EUR355.5 million as at the Latest Practicable Date.	Laundry products, household cleaning tools and kitchen gadgets	2010	69,101	18.0%	60 days, telegraphic transfer
3	Customer B	An Australia private company that engages in the sales of clotheslines, wheelbarrows and laundry products nationally and internationally with a paid-up capital of approximately AUD100.	Laundry products	2011	41,690	10.8%	90 days, telegraphic transfer
4	Casa Si Marketing — und VertriebsgmbH	An Austria headquartered private company and its group company that mainly engage in the sales of laundry airer, ironing boards and stepstools with a registered capital of approximately EUR36,500.	Laundry products	2013	20,443	5.3%	Upon delivery, telegraphic transfer at sight

Rank	Customer	Principal business activities	Products sold to our customers	The year our customer started to do business with us	Revenue	Approximate percentage to our revenue	Credit period and payment method
					RMB'000		
5	Customer C	A UK headquartered company listed on the London Stock Exchange and its group companies that engage in the sales of home improvement products, with over 1,300 stores in 10 European countries with revenue of approximately GBP12.3 billion for the year ended 31 January 2021 and a market capitalisation of approximately GBP7.1 billion as at the Latest Practicable Date.	Laundry products and household cleaning tools	2011	17,608	4.6%	100 days, telegraphic transfer
	Total				**309,554**	**80.5%**	

For the four months ended 30 April 2021

Rank	Customer	Principal business activities	Products sold to our customers	The year our customer started to do business with us	Revenue	Approximate percentage to our revenue	Credit period and payment method
					RMB'000		
1	Bradshaw Group	A US headquartered private company and its group companies that engage in the sales of cleaning accessories and kitchen tools with products selling in over 45,000 retail outlets across the US and Canada.	Laundry products and household cleaning tools	2010	32,808 *(Note)*	26.0%	75 days, telegraphic transfer

Rank	Customer	Principal business activities	Products sold to our customers	The year our customer started to do business with us	Revenue	Approximate percentage to our revenue	Credit period and payment method
					RMB'000		
2	Customer A	A Germany headquartered company listed on the Frankfurt Stock Exchange and its group companies that engage in the production and distribution of kitchen and household products to more than 80 countries with revenue of approximately EUR258.7 million for the year ended 31 December 2020 and a market capitalisation of approximately EUR355.5 million as at the Latest Practicable Date.	Laundry products, household cleaning tools and kitchen gadgets	2010	25,447	20.2%	60 days, telegraphic transfer
3	Casa Si Marketing — und VertriebsgmbH	An Austria headquartered private company with its group company that mainly engages in the sales of laundry airer, ironing boards and stepstools with a registered capital of approximately EUR36,500.	Laundry products	2013	17,192	13.6%	Upon delivery, telegraphic transfer at sight
4	Customer B	An Australia private company that engages in the sales of clotheslines, wheelbarrows and laundry products nationally and internationally with a paid-up capital of approximately AUD100.	Laundry products	2011	8,737	6.9%	60 days, telegraphic transfer

Rank	Customer	Principal business activities	Products sold to our customers	The year our customer started to do business with us	Revenue	Approximate percentage to our revenue	Credit period and payment method
					RMB'000		
5	Customer C	A UK headquartered company listed on the London Stock Exchange and its group companies that engage in the sales of home improvement products, with over 1,300 stores in 10 European countries with revenue of approximately GBP12.3 billion for the year ended 31 January 2021 and a market capitalisation of approximately GBP7.1 billion as at the Latest Practicable Date.	Laundry products and household cleaning tools	2011	7,877	6.2%	100 days, telegraphic transfer
	Total				**92,061**	**72.9%**	

Note: For the four months ended 30 April 2021, the sales to Bradshaw Group amounted to approximately RMB32.8 million. The annualised sales to Bradshaw Group for the year ending 31 December 2021 based on a simple proportion, would amount to approximately RMB99.0 million, as compared to approximately RMB160.7 million for the year ended 31 December 2020. The decrease in this calculated annualised sales for 2021 is mainly due to the timing factor that the proportion of sales to Bradshaw Group during a year is generally higher in the second half of a year. From 1 January 2021 to 12 August 2021, we had already received sales orders from Bradshaw Group of approximately RMB71.2 million to be delivered after the Track Record Period, of which approximately RMB48.8 million had been completed and delivered for the three months ended 31 July 2021.

None of our Directors, their respective close associates or any Shareholder (who, to the best knowledge of our Directors, owned more than 5% of the issued share capital of the Company as at the Latest Practicable Date) had any interest in any of our five largest customers during the Track Record Period. All of our five largest customers during the Track Record Period are Independent Third Parties.

Major contract terms with our customers

During the Track Record Period and up to the Latest Practicable Date, we entered into framework agreements with some of our customers for setting out the general terms and conditions for the transactions between the customers and us. Our customers will place purchase orders with us for each purchase specifying the price, quantity, product type and delivery date etc. The framework agreements we enter into with our major customers are on a non-exclusive basis. The following table summarises the major terms of these framework agreements.

Term of agreement:	In general, the length of our framework agreements ranges from one year to three years. Some of our framework agreements do not set out any term, but are terminable by notice
Credit term:	Generally, ranging from 30 to 60 days after our issue of monthly statement
Termination:	Generally, either party may terminate the agreement with the other party by written notice
Penalty for non-compliance:	In the event that there are non-compliance issues in respect of our production process or our products, we have to indemnify the customers against all or any losses or damages whatever suffered or incurred by the customers
Sales incentive:	Some framework agreements provided that in the event the purchase made by the customer has exceeded a certain specified amount, the customer will be entitled to a sales rebate or discount. Our customers are offered, at our discretion, sales rebates at varying rates, generally ranging from 1% to 8% of the price of the products, which are paid in the form of offsetting the amount against the purchase price of a subsequent purchase of the same customers. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, our Group had given sales rebate amounting to approximately RMB3.7 million, RMB2.9 million, RMB3.9 million and RMB0.5 million to our customers, respectively.

Compliance with customer standards and requirements

Our management and sales and marketing team also communicates with our major customers regularly to ensure our products have met their expectations. Our customers require us to ensure consistent product quality, stable supply and timely delivery of our Group's products. Some of our customers also conduct on-site factory audits on our Huzhou Production Plant to ensure that our Group is able to comply with their required production standards, quality control process and production specifications. Our Directors confirmed that during the Track Record Period, our Group had complied with our customers' requirements in relation to their review and assessment of our performance and we had not received any complaints from our major customers which would materially and adversely affect our relationship with the customers.

Credit policy and payment terms

Our overseas customers usually settle payments by telegraphic transfer and most of our customers settle their payment by USD.

The credit period granted to our customers generally ranges from 0 to 100 days, depending on individual customers' scale of operation and reputation, payment history and their length of business relationship with us.

Our average trade receivables turnover days were 67 days, 70 days, 67 days and 76 days, respectively, for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021. It is our policy to review overdue balances and our receivable balances on an ongoing basis and our management team will assess and determine whether or not provision for impairment of trade receivables should be made. As at 31 December 2018, 2019 and 2020 and 30 April 2021, the allowance for impairment of trade receivables amounted to approximately RMB0.3 million, RMB0.4 million, RMB0.3 million and RMB0.2 million, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in collecting receivables from our major customers when they fell due.

Our finance team monitors overdue payments closely and regularly prepares an ageing report showing customers' overdue amounts in the specific month. To facilitate timely collection of trade receivables, our Group may also put a customer's order on hold if any of the following situations happens: (i) the customer's credit line exceeds the credit limit; (ii) the customer's payments become overdue; (iii) the customer faces financial hardships or operational setback; or (iv) the business relationship with the customer is terminated. When there are overdue payments, we will take follow-up actions to collect the overdue trade receivables, such as communication with the relevant department of the customer responsible for processing payments.

During the Track Record Period, our Group did not experience any material difficulty in collecting payments which caused a significant adverse impact on our business operation.

CUSTOMER CONCENTRATION

For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, our Group's sales to our five largest customers accounted for approximately 77.9%, 76.9%, 80.5% and 72.9% of our total revenue, respectively. In the corresponding years and period, our sales to Bradshaw Group, our largest customer, accounted for approximately 42.2%, 41.4%, 41.8% and 26.0% of our total revenue, respectively.

Reasons for our customer concentration

Our Directors consider that our customer concentration during the Track Record Period was mainly contributed by a combination of the following key factors:

Our Group is able to maintain a stable business relationship with our major customers — As at the Latest Practicable Date, our Group maintained seven to ten years of business relationship with our five largest customers which we provide with quality products and value-added services, details of which are set out under paragraphs headed "Our Business Model — OEM, ODM and OBM sale" in this section. During the Track Record Period, we did not have any material dispute regarding our product quality with our five largest customers.

It is our strategy to serve brand owners or authorised agents of well-established international brands — Based on our Directors' industry experience and regular communications with our major customers, our Directors believe that we can generate stable revenue from well-established international brands as their OEM or ODM supplier. On the other hand, as these customers are used to placing purchase orders of larger quantities, we can project our production schedule for processing bulk purchase orders, achieve economies of scales and negotiate for better terms in our bulk purchase of raw materials for production and better utilise our production capacity. Thus, it is beneficial for us to cater for a few major customers which are the owners or authorised agents of well-established international brands.

Our existing production capacity has almost been fully utilised for production of products for our five largest customers whereby we do not have spare capacity to manufacture products for other sizeable and well-established international brands — Most of our major customers' purchase orders are of large amount. As such, their purchase orders had taken up a significant portion of our production capacity, resulting in a concentration of revenue generated from them during the Track Record Period. As a result, we did not have spare capacity to manufacture products for other sizeable and well-established international brands during the Track Record Period.

Background of our five largest customers and our relationship with our five largest customers

Our five largest customers during the Track Record Period mainly comprised brand owners or authorised agents of well-established international brands which resell our products as wholesalers or retailers in overseas countries.

Our largest customer, the Bradshaw Group, is a group of companies headquartered in the United States, which is mainly engaged in the sale of cleaning accessories and kitchen tools in the United States and Canada. According to the CIC Report, it is a leading player in the household cleaning tools market in the United States, accounting for approximately 2.5% of the market share in 2020. We started to do business with the Bradshaw Group in 2010. During the Track Record Period, the revenue generated from our sales to the Bradshaw Group increased stably.

The Bradshaw Group confirmed to us in writing that, among others:

(i) we are one of its major suppliers of household cleaning tools such as mops and brushes;

(ii) it is satisfied with our services and products in all respects and that we will continue to provide superior capabilities as compared to its other suppliers;

(iii) under its supplier selection and assessment policy, the Bradshaw Group has to carry out various procedures to assess the ability of a new supplier, and such procedures will usually take a relatively long time to complete and thus, it is unlikely that the Bradshaw Group would easily replace us with other OEM or ODM supplier; and

(iv) it values the long-term relationship with our Group.

For the background of our other five largest customers during the Track Record Period, the year we started to do business with each of them, the amount of revenue generated from the sales of our products to each of them and the percentage of the revenue against our Group's total revenue during the relevant period, which indicates the level of our reliance with each of the five largest customers, please refer to the paragraph headed "Our sales and customers — Our five largest customers during the Track Record Period" in this section.

The framework agreements we entered into with our major customers

We were a non-exclusive OEM or ODM supplier of our five largest customers during the Track Record Period. We entered into a framework agreement with each of Bradshaw Group, Customer A and Customer C for setting out the general terms and conditions for the transactions between the relevant customer and us. Apart from the framework agreements, these customers will also place purchase orders with us for each purchase specifying the price, quantity, product type and delivery date etc. Those major customers which had not entered into any framework agreement with us will place purchase orders with us for each purchase separately. Our Directors confirmed that we had not breached any terms of the framework agreement or purchase orders which would have any material adverse impact on our relationship with any of our five largest customers or breached any terms which would result in the termination of any framework agreement or purchase orders between us and our five largest customers during the Track Record Period. The following table sets forth the term of these framework agreements:

Customer	The year our customer started to do business with us	Term of framework agreements
Bradshaw Group	2010	One year
Customer A	2010	No fixed term
Customer C	2011	No fixed term

As confirmed by our Directors, each of Bradshaw Group, Customer A and Customer C has indicated its intention to continue its business relationship with us. For further details in respect of the general terms and conditions of these framework agreements, please refer to the paragraphs headed "Our sales and customers — Major contract terms with our customers" in this section.

Likelihood of termination of our business relationship with our five largest customers

Our Directors consider that even though we are not an exclusive supplier of our five largest customers, the likelihood that our five largest customers will terminate their business relationship with us is rather low due to the following factors:

(i) We are a valued business partner to our major customers

Our Group maintained a stable business relationship with our five largest customers and up to the Latest Practicable Date, our business relationship with them ranged from approximately seven to ten years. In particular, we maintained a close business relationship with Bradshaw Group, our largest customer since 2010. As such, our management team has already accumulated extensive knowledge in the philosophy, quality standard, requirements and procedures of each of our five largest customers in terms of its product design and development, manufacturing process and quality control. For instance, we may provide value-added services to them in terms of the feasibility of mass production of their newly designed products, costing exercise and raw material selection, etc. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product returns from our five largest customers nor did we have any material dispute with any of them. Our Directors confirmed that there was no early termination or threatened termination, rescission or material breach of the terms of any framework agreements we entered into with our major customers or any purchase orders placed by our five largest customers on us during the Track Record Period and up to the Latest Practicable Date.

In light of the above, our Directors believe that we are a valued business partner to our five largest customers during the Track Record Period and that our relationship with them is unlikely to materially and adversely change or terminate. For further details about our five largest customers, please refer to the paragraphs headed "Business — Our sales and customers — Our five largest customers during the Track Record Period" in this prospectus.

(ii) Our major customers are leading players in their respective markets which would prefer not to run the risk of changing their OEM or ODM suppliers

According to the CIC Report, some of our major customers are the leading players in the drying rack market and household cleaning tool market in their countries. As leading players, they have built up not only brand recognition in the market, but also solid sales channels, stable customer base and good reputation by having stringent product quality of their branded products. Therefore, they generally prefer maintaining long-term cooperation relationship with their OEM or ODM suppliers with proven track record in order to avoid the risks of deficiency in quality control or delay in delivery of products etc. resulted from changing OEM or ODM suppliers. Thus, our Directors believe that they have no reasons to change suppliers with whom they have cooperated for many years.

(iii) It is time consuming for our five largest customers to choose other OEM or ODM suppliers in place of our Group

Notwithstanding our five largest customers' relatively strong bargaining power to source products from suppliers other than our Group, our Directors take the view that it may also be time consuming for them to substitute our Group. Though in the PRC, there are approximately 600 drying rack manufacturers and over 8,000 cleaning tool manufacturers, we are one of the approved suppliers to our five largest customers.

According to the CIC Report, the process of identifying and approving a new OEM or ODM supplier by well-established international brand owners or their authorised agents is generally time-consuming and involves many selection procedures and criteria. Our Directors believe that we have met the criteria of our five largest customers and that we can continue to pass the regular assessments of our major customers on our production capacity and technical level in the future.

View of our Directors

Taking into account the above factors and observations and the fact that our major customers are leading players in their respective markets which would prefer not to run the risk of changing their suppliers, our Directors believe that there is no incentives for our five largest customers to find other OEM or ODM suppliers to replace us in the foreseeable future barring any unforeseen circumstances (such as substantial product quality issues), and above all, we have garnered our five largest customers' confidence on our products. By engaging us as their OEM or ODM supplier, our customers can focus on the product design and development and marketing of their new products.

Notwithstanding the above, we will seize growth opportunities and further diversify our sales channel and customer base by implementing the strategies set out in "Our business strategies" in this section. Accordingly, our Directors believe that we do not have any undue *de facto* reliance on any of our five largest customers.

Our customer concentration would not affect our business prospects and sustainability

Our Directors believe that our customer concentration would not affect our business prospects and sustainability and we are able to effectively mitigate our exposure to any material adverse change on the relationship with any of our five largest customers due to the following factors:

(i) Our well-established production plant with a wide range of machinery and equipment can satisfy the need for quality products of our existing major customers and other potential customers

To the best knowledge of our Directors, our major customers recognise our Group as one of their OEM or ODM suppliers who possess the capability of providing quality household necessity products to them.

We also maintain stable and long-term business relationships with our customers by, among others, working together with them in the development of their new products and offering various kinds of the value-added services to them. For details of the value-added services provided to our customers by us that differentiates us from other manufacturers, please refer to paragraphs headed "Our Business Model — OEM, ODM and OBM sale" in this section.

On the other hand, given our production machinery and equipment had been running close to their full utilisation during the Track Record Period, our Directors believe that if any of our major customers ceases to place orders with us, we can spare extra capacity to serve other existing customers or new customers by re-allocating our production capacity. Therefore, our Directors are of the view that if the volume of orders from any of our major customers diminishes, we are still able to secure alternative orders from existing customers and solicit orders from our potential customers to replenish our order book. Thus, the issue of customer concentration would not affect our business prospects and sustainability.

(ii) Continuous demands for household necessity products in the overseas market

According to the CIC Report, the number of households in the United States, the United Kingdom, Germany and Australia is expected to be increasing in future years, which together with the increasing number of households in other developed countries, will continue to stimulate the demand for household necessity products. Accordingly, our Directors believe that we can leverage our expertise and capabilities to capture further business opportunities in these countries. During the years ended 31 December 2018, 2019 and 2020, we had successfully increased the number of our customers from 37 to 48. For details, please refer to the paragraph headed "Sufficient market demand for our Group's products — Industry growth" in this section.

(iii) Our established reputation for offering quality products and our experience in serving well-established international brands makes us appealing to other well-established international brands

Our Directors believe that by manufacturing and offering quality products to our five largest customers, which are brand owners or authorised agents of well-established international brands, on an OEM or an ODM basis, we have successfully built up a reputation in the market, which can be regarded as a credit to us. Hence, if the purchase orders from any major customers diminish or cease, with our expertise and reputation in manufacturing quality laundry products, household cleaning tools and kitchen gadgets, we can (i) avail our resources to provide our products to other well-established international brands; and (ii) focus on capturing business opportunities in overseas countries and regions where we have not yet established substantial sales channels, and in the local market in the PRC. While our Directors note that these well-established international brands, which are our potential customers, may not prefer to run the risk of changing their OEM or ODM suppliers or replacing their existing suppliers with us, our Directors take the view that our industry recognition built up over our years of operation, for details, please refer to the paragraph headed "Sufficient market demand for our Group's products — Industry growth" in this section; coupled with our abilities to provide various kinds of value-added services to our OEM customers and to provide "one-stop" services to our ODM customers are important factors that make us appealing to these well-established international brands when they consider expanding their supplier lists or their product portfolio with products similar to those that we had supplied to our customers. Furthermore, capitalising on our industry experience and expertise, our Directors are of the view that it should not be difficult for us to pass the selection procedures of these well-established international brands. In addition, we believe that the development of our business relationship with our five largest customers during the Track Record Period would enable us to better understand (i) the criteria, requirements and quality standard of well-established international brands; and (ii) the key elements and strategies for effective customer management and manufacture and supply of quality products to these renowned customers, which can also be replicated to other customers. In this connection, we are striving to seek business opportunities from other well-established international brands which are yet to be our customers and at the same time, continue to strengthen our competitiveness as a well-established OEM and ODM suppliers, and strategically increase our level of participation in the product development of our major customers in order to consolidate our relationship with them.

For the reasons above, our Directors do not foresee there will be any difficulty for us to look for other well-established international brands as our customers.

(iv) We expand to OBM business by developing our own-brand products

Since December 2017, we have started developing and manufacturing household necessity products under our own brand, "*Jia Ji Bao*" (家吉寶) and sold our own-brand products through e-shops in the PRC markets. Our Directors are confident that by leveraging our experience and expertise in the manufacture of laundry products, household cleaning tools and kitchen gadgets for well-established international brands, we are capable of developing our OBM business. For details, please refer to the paragraphs headed "Our business strategies — IV. Expand our sales and marketing network" in this section.

PRICING POLICY

Our pricing policy aims to facilitate our profitable and sustainable growth strategy.

Some of our customers provide us a target ex-factory price together with the design and preliminary specifications and costing exercise is conducted as part of the product development process before confirming the ex-factory price with our customers. To meet our target profit margin, we negotiate with our customers on the ex-factory price and may adjust the design and/or material used before the final design and specification is agreed between our customers and us and order is placed.

Otherwise, we determine the prices of our products on a cost-plus basis. Since each product has its own specifications or requirements, we would also consider various factors including the cost of raw materials, the required specification of the products, the lead time, the labour costs, the size of the purchase orders, our profit margin, the expected date of delivery and the price of similar products in the market. We negotiate the pricing of each batch of products with individual customers on a case by case basis in order to maximise the profitability of our Group.

As we generally purchase our major raw materials after we have received our customers' orders, our Directors believe that our Group could generally pass part of the risks arising from any fluctuation in the costs of raw materials to customers during the Track Record Period. In this connection, we continuously keep ourselves abreast of changes to the market prices of our products, conduct regular reviews on our pricing policy and pay close attention to responses from customers during the negotiations/quotations stage. Our Group may adjust the pricing policy to ensure our Group is responsive to changes in market prices in a timely manner to avoid any material adverse impact on our competitiveness, performance and financial conditions.

TAX REBATE

During the Track Record Period, our products were primarily delivered to overseas countries such as the United States, the United Kingdom, Germany and Australia. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, the revenue generated from sales of our products delivered overseas represented approximately 99.1%, 98.6%, 98.9% and 99.7% of our sales revenue, respectively. For these export sales, we are entitled to a rebate of VAT from the PRC tax authority, the purpose of which is to refund the VAT incurred on the raw materials an enterprise sourced for production of products in the PRC, which are subsequently exported overseas. For further details regarding the laws and regulations relating to the VAT rebate rate we are entitled to, please refer to paragraphs headed "Regulatory Overview — Laws and regulations relating to tax — Value-added tax (VAT)" in this prospectus. The amount of VAT rebate is calculated by multiplying the invoiced value of our export sales with the applicable rebate rate to the export product type, which varies between different product types. Application of tax rebate of a calendar year has to be made to the tax authority in the PRC by 30 April of the following calendar year. Should the PRC tax authority find the documents submitted in relation to an application for VAT rebate in order, the rebate will be realised by offsetting the VAT payable or by cash settlement. Our tax rebate for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, amounted to approximately RMB39.9 million, RMB47.9 million, RMB46.9 million and RMB18.1 million, respectively. The increase in tax rebate from approximately RMB39.9 million for the year ended 31 December 2018 to approximately RMB47.9 million for the year ended 31 December 2019, notwithstanding that the ceiling of VAT rebate rate was adjusted down to 13% in April 2019, was mainly due to (i) the timing difference between the amount of sales revenue recognised from export sales and the amount of tax rebate in the export tax rebate application (免抵退稅申報類) in a year; (ii) the upward adjustment of the tax rebate rates applicable to certain of our product types with effect from 1 November 2018; and (iii) the grace period of three months from April to June 2019 and during which, the original rates of rebate before the implementation of the downward adjustment continue to apply.

AFTER-SALE SERVICES AND PRODUCT RETURN

We generally do not accept product return except for quality reasons. We will follow up closely with our customers on the quality of our products and their requests for product return, conduct investigation on customers' complaints, arrange for refund repayments or rectification after the complaints have been confirmed.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material product liability claim or material adverse publicity in relation to our products or their quality and we had not encountered any product return or recall which had a material impact on us.

Furthermore, to better serve our customers, our sales and marketing team is designated to handle and answer to all complaints, feedbacks and enquiries from our customers as soon as practicable upon receipt. If the complaint is related to quality issue of our products, our sales and marketing team will work with our production team to investigate into the matter. We also designate a sales representative to each customer other than general consumers to handle enquiries or address to their complaints, enquiries and feedback on our products.

DELIVERY AND LOGISTICS

As most of our products are for exports sales, delivery of our products to overseas customers is mainly on a FOB basis whereby we are generally responsible for the delivery of our products to the shipment port designated by our customers. The risks of loss or damage of goods transported under an FOB basis are passed to our customers when the products are on board of the vessel, and the purchaser bears all costs for the international shipment and the related expenses from that moment onwards. As such, we are responsible for the corresponding cost of delivery within the PRC. Occasionally, our products are delivered through shipment on a cost insurance and freight (CIF) basis whereby we cover transportation fees, custom clearance, international sea and air freight charges and insurance fees. However, risk is transferred to the buyers once the goods are loaded on the ship.

During the Track Record Period, we outsourced the delivery and logistics services to external logistics providers, who were Independent Third Parties, to deliver our products from our Huzhou Production Plant. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, costs associated with our delivery services were approximately RMB9.5 million, RMB10.3 million, RMB10.7 million and RMB3.9 million, respectively.

Our Directors confirm that during the Track Record Period, we had not experienced any material disruption to our delivery arrangements and we had not suffered any material losses or pay any compensation as result of delays in delivery of our products by the logistics companies engaged by us.

IMPACT OF THE OUTBREAK OF COVID-19

Impact of COVID-19 on our business and operations

Following the outbreak of COVID-19 in December 2019 in the PRC and the global widespread since early 2020 and up to the Latest Practicable Date and the emergence of variants, the business and operations of the Group are in the PRC and our customers in overseas countries have been affected in the following ways:

(i) Changes in our financial performance

Our Directors believe that the impact of COVID-19 on both our revenue and the sales of our products to the countries where our sales were mainly made had been alleviated following the use and administration of COVID-19 vaccines in these countries albeit the emergency of Delta variants and other variants of COVID-19. For details of our revenue by destination of delivery for the Track Record Period, please refer to the paragraphs headed "Principal components of consolidated statements of profit or loss and other comprehensive income — Breakdown of revenue by location" in this section.

To the best knowledge of our Directors, none of our major customers in the countries affected by the COVID-19 outbreak has indicated to us that it will cancel any purchase orders placed with us since the COVID-19 outbreak. Given the nature of our products, being common household necessity products which are necessary to keep a home running smoothly and provide comfort and hygiene to users, our products are not easily replaceable by other products. According to the CIC Report, having already taken into account the impact of COVID-19, the market demand for laundry products, household cleaning tools and kitchen gadgets is expected to maintain steady growth in the future. In light of the above, our Directors believe that the potential impact of the COVID-19 outbreak on our Group's business operations and financial conditions is only temporary and not long-term and would not affect the market demand for our products in the long run.

(ii) Our production

Our Group, like other manufacturers in the PRC, was subject to the PRC government's requirement to extend the final day of the Chinese New Year Holidays from 30 January 2020 until 10 February 2020 (the "**Extension of Chinese New Year Holidays in 2020**") and had temporarily suspended our production and operation during the period. Our Group resumed operations gradually starting from 12 February 2020. Furthermore, our staff who had travelled to other provinces were subject to compulsory 14-day quarantine and thus our production in February 2020 was adversely affected and the production schedule had also been delayed. Due to this temporary suspension of operation in February 2020, we experienced minor delay in scheduling our production plan and thus, the delivery of our products to three of our customers was temporarily affected. The duration of actual delays in delivery of goods to our customers was approximately 22 days with the relevant revenue of approximately RMB3.3 million. Nevertheless, our Directors confirmed that none of our customers had cancelled any orders or requested compensation from our Group. By mid-March 2020, our operations and production had been fully resumed. By the end of March 2020, all products related to the sales contracts scheduled for delivery in February and March were delivered. As confirmed by our Directors, the temporary suspension of our Huzhou Production Plant due to the Extension of Chinese New Year Holidays in 2020 had not resulted in any substantial delay in discharging our obligations under any purchase orders from our customers; and we had not been subject to any late charges or damages imposed on us by our customers. The number of daily new confirmed cases in the PRC remained at a low level up to the Latest Practicable Date and no new nationwide lockdown had been imposed by the PRC government. As at the Latest Practicable Date, all our machinery and equipment are operated in full swing and all our workforce had returned to work as the outbreak of COVID-19 has been effectively controlled in the PRC.

(iii) Our supply chain

As our suppliers are predominantly located in the PRC, this operation were therefore subject to temporary suspension during the Extension of Chinese New Year Holidays in 2020 and other quarantine measures imposed by their local governments. Apart from this short-term disruption, there was no material disruption or delay in the supply chain and delivery of raw materials to our Huzhou Production Plant.

(iv) Our inventory

To avoid accumulation of excessive inventories, we purchase most of our raw materials mainly based on the purchase orders placed by our customers from time to time, whether before or after the outbreak of COVID-19. As concerns the inventory of our work-in-progress and finished products, we generally commence production after receipt of purchase orders placed by the customers, and thus, during the outbreak of COVID-19, there was no significant risk of obsolescence of work-in-progress and finished products. Given our suppliers of raw materials are located in the PRC and all of them have resumed operation since mid-February 2020, our Directors take the view that we can continue to maintain our inventory policy even after the outbreak of COVID-19; and our Directors confirmed that the burn rate of our inventories has not experienced any significant deviation since the outbreak of COVID-19.

(v) Our customers

Our business is export-oriented and our products are predominantly sold and delivered to the United States, the United Kingdom, Germany and Australia, which have been affected by the pandemic of COVID-19. To combat the spread of COVID-19 and its variants, these countries had to implement tough measures, for instance, putting their countries or cities under lockdown, restricting movement of people by pronouncing "stay-home" orders, suspending or limiting business operations in the countries or cities and restricting freight transportation, etc from time to time. Our Directors believe that if the spread of COVID-19 and its variants cannot be successfully contained in these countries, our transactions with customers in these countries and cities would inevitably encounter disruptions. Nevertheless, the governments in the United States, the United Kingdom, Germany and Australia have gradually relaxed their respective lockdown measures.

(vi) Our sales and marketing activities

Owing to the travel restrictions and/or lockdown measures imposed by the governments of various countries and cities as well as the governments' recommendation to maintain social distancing to reduce the chance of transmission of COVID-19, our sales and marketing team has not been able to conduct certain sales and marketing activities such as face-to-face meetings with our potential and existing customers or attending trade fairs or exhibitions to explore potential and new business opportunities, and instead we conduct marketing activities through alternative means such as phone calls, emails and mobile applications, which our Directors believe, are relatively less effective than conducting visits or meetings directly with our customers or potential customers.

Our Directors expect that the impact of COVID-19 outbreak on the household necessity product market in these countries is not long-term on the basis that (i) the demand for household necessity products is less affected as they are necessary items for all households; (ii) the increased popularity of online shopping by consumers which allows consumers to buy household necessary products online in the event of closure of physical stores following the lockdown measures; (iii) recent breakthrough in the development and use of vaccines for preventing COVID-19 infections by well-established international pharmaceutical companies; (iv) the overall deceasing trend of daily new confirmed cases in the United States and Germany since January 2021 despite there were surges in daily new confirmed cases from time to time and the emergence of COVID-19 variants; and (v) the easing of national partial lockdown measures in the United Kingdom since mid-July 2021.

Our preventive measures and business contingency plan

To prevent transmission of COVID-19 to and among our employees, we had implemented a series of company-wide preventive measures to monitor the health conditions of our employees and maintain a hygienic working environment inside our Huzhou Production Plan. For details, please see the sub-section headed "Occupation health and safety" in this section.

Our Group has implemented certain business contingency plans to ensure the supply chain of raw materials would not be disrupted due to the outbreak of COVID-19. Without entering into any long-term binding purchase agreements with our suppliers, in case of any material disruption in business of any of our PRC suppliers, our Group is free to source raw materials from alternative suppliers given the price of our principal raw materials including polypropylene resins and steel is generally influenced by the fluctuation in global price trends of crude oil, natural gas and iron ore etc. As such, even if our Group needs to source materials from alternative suppliers, there will not be any material increase in the cost incurred by our Group. Furthermore, as part of our contingency plan, our Group has short-listed a few other existing suppliers in PRC as our alternative suppliers who would supply quality raw materials to us if our major suppliers have to suspend their operation due to COVID-19, and at the same time, we maintain frequent communications with our major suppliers via digital meetings instead of physical meetings, to ensure that their operation was not disrupted.

Further, to ensure our business continuity, we would continue to maintain close business relationship with our major customers.

We also plan to expedite our plan in reaching out to local customers by strengthening our sales and marketing efforts to promote and develop our "*Jia Ji Bao*" (家吉寶) brand products. Our Directors believe that, with our expertise, product portfolio and design development capabilities to develop and manufacture household necessity products for our customers, we will be able to replicate our success in the PRC market in the event where our sales to overseas customers is materially and adversely affected by the COVID-19 outbreak.

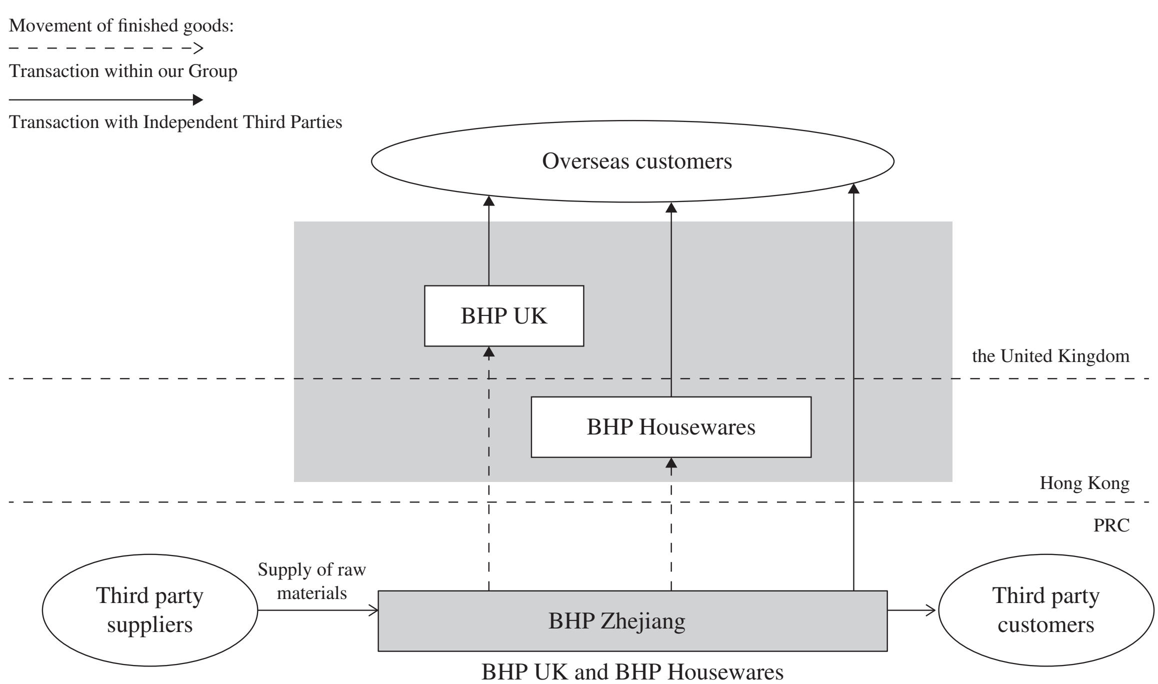
TRANSFER PRICING ARRANGEMENT

During the Track Record Period, while our orders for sales delivered overseas were principally concluded by our operating subsidiary BHP Zhejiang, some of our orders for our overseas sales were directly concluded by BHP Housewares, our subsidiary in Hong Kong, or with BHP UK, our subsidiary in the United Kingdom.

Upon receipt of the sales orders from our customer, BHP Housewares and BHP UK would make a purchase order with BHP Zhejiang to manufacture the requested products. Finished goods manufactured by BHP Zhejiang are then directly sold to BHP Housewares or to BHP UK for onwards sales to our overseas customers. Most of our finished goods are exported on FOB basis and will be delivered based on the instruction of the customers.

These intra-group transactions are treated as sales from BHP Zhejiang to BHP Housewares and BHP UK and the selling prices are based on the then prevailing market price of our products. Our Directors confirmed that the relevant intra-group transactions were conducted on normal commercial terms. Notwithstanding that, we may be challenged by the relevant tax authorities on the appropriateness of these transactions and may be subject to possible tax exposure arising from our transfer pricing arrangement. Please refer to the paragraphs headed "Risk factors — Risks relating to our business — Our operations may be subject to transfer pricing adjustments by competent authorities" in this prospectus for further details. Our Directors confirmed that up to the Latest Practicable Date, our Group had not been subject to any enquiry, audit or investigation by any tax authority in the PRC or Hong Kong or United Kingdom with respect to transfer pricing carried out by our Group.

The flow chart below shows the major steps and parties involved in intra-group transactions between BHP Zhejiang and BHP Housewares or BHP UK.



Stage 1 — Some of our overseas customers place orders with BHP Housewares and BHP UK

While our sales delivered overseas are principally undertaken by BHP Zhejiang, some of our sales delivered overseas are concluded by BHP UK and BHP Housewares. Upon receiving the orders from our overseas customers, BHP UK and BHP Housewares will make a purchase order with BHP Zhejiang.

BHP Housewares and BHP UK undertake the administrative activities and sales and marketing activities relating to the customers that purchase our products through them.

Stage 2 — Manufacturing of household products by BHP Zhejiang

BHP Zhejiang performs functions related to production, including raw materials purchasing, production and processing, quality control, etc. The products manufactured by BHP Zhejiang mainly include laundry products, household cleaning tools and kitchen gadgets.

BHP Zhejiang sells these products to BHP Housewares or BHP UK.

Stage 3 — Logistic management

BHP Housewares and BHP UK also helps arrange logistics for the overseas customers generally on a FOB basis.

Reason for such arrangement

BHP Housewares and BHP UK are mainly responsible for handling customers with orders of smaller volumes. Our Directors are of the view that it is more effective for BHP Housewares and BHP UK to consolidate these orders of smaller volumes together and to place orders with BHP Zhejiang. Our Directors believe that such transactions would enhance the effectiveness of our overall management and operation and allocation of resources. Going forward, BHP UK and BHP Housewares will continue to conclude orders of smaller volumes.

Potential tax exposure

In order to assess whether the sales transactions between BHP Zhejiang and BHP Housewares or BHP UK were carried out on an arm's lengths basis, we have engaged the Tax Consultant to conduct an analysis of the above transactions. Given the functional profiles of the parties involved in the transactions, transactional net margin method and the comparable uncontrolled transaction method have been adopted as the appropriate transfer pricing analysis methodologies to assess the arm's length nature of the above transactions.

To assess the transactions between BHP Zhejiang and BHP Housewares, the Tax Consultant used the transactional net margin method to examine the profit level indicators that BHP Zhejiang realised from the intra-group transactions. The profit level indicators include, among others, earnings before interest and tax margin and full cost plus mark-up. In applying the method, the Tax Consultant identified comparable companies which have similar functions, bear similar risks and operate similar business to BHP Zhejiang. Under these criteria and the information sourced from a database, a number of public listed companies in Asia Pacific region are selected as comparable companies. The profit levels of these comparable companies are benchmarked as a reasonable range of profit levels. Based on the analysis, the Tax Consultant concluded that the profit level of the intra-group transactions between BHP Zhejiang and BHP Housewares during the Track Record Period was within the range of profit levels of comparable companies.

To assess the transactions between BHP Zhejiang and BHP UK, the Tax Consultant used the comparable uncontrolled transaction method to examine the service fees paid by BHP Zhejiang to BHP UK. In applying the method, the Tax Consultant identified comparable service agreements which provide similar services in similar industry from a database. The service fee rates of these comparable agreements are benchmarked as a reasonable range of service fee rates. Based on the analysis, the Tax Consultant concluded that the service fee rates of the intra-group transactions between BHP Zhejiang and BHP UK during the Track Record Period fall within the range of service fee rates of comparative agreements. In view of this, the Tax Consultant is of the view that the aforementioned intra-group transactions were conducted on arm's length basis and there is no potential tax obligations arising from these intra-group transactions.

Based on the discussion with the Tax Consultant and the above comprehensive assessment bases by the Tax Consultant, the Directors take the view that the transfer pricing arrangement under the above transactions between BHP Zhejiang and BHP Housewares or BHP UK have complied with the applicable transfer pricing rules and regulations in the PRC, Hong Kong and the United Kingdom, which require related party transactions to be carried out on an arm's length basis.

Measure to ensure on-going compliance

Our Group's transfer pricing arrangement is part of our normal trading operation where an arm's length transaction price needs to be established. We have implemented a general policy in this area to follow the arm's length principle and to achieve an arm's length outcome. We will regularly review the arrangements between BHP Zhejiang and BHP Housewares or BHP UK, and where necessary, appoint tax consultant to review such transfer pricing arrangements to ensure compliance with the arm's length principle.

As at the Latest Practicable Date, BHP Zhejiang had completed all the relevant tax filings related to its related party transactions in compliance with the relevant PRC laws and regulations and our Directors are not aware of any enquiry, audit or investigation by any tax authority in the PRC or Hong Kong and the United Kingdom with respect to the transfer pricing arrangements carried out by our Group.

IMPACT OF THE TRADE WAR ON OUR BUSINESS

In recent years, the United States has advocated greater restrictions on trade generally and significant increases on duties on goods imported into the United States, particularly from the PRC, and has recently taken steps toward restricting trade in imported Chinese products. As our Group exports our products to the United States, these duties may have an adverse impact on our Group's business operation and financial results. For further details, please refer to the paragraphs headed "Risk factors — Risks relating to our business — Our businesses are subject to international trade policies and trade barriers with respect to overseas sales, which could adversely affect our business and results of operations" in this prospectus.

Background and development of additional United States duty

The United States has recently taken steps toward restricting trade in imported Chinese products. Specifically, starting in July 2018, the United States imposed actions in the form of additional duties on certain Chinese products. This means that when these products of Chinese origin are imported into the United States, they are subject to additional import duties, currently varying from 7.5% to 25%, unless the products are covered by product-specific exclusions (the "**Exclusions**") granted by the US Trade Representative ("**USTR**"). Certain Exclusions are only extended up to 31 December 2020 or early 2021, which means that Section 301 regarding the additional duties on products of Chinese origin that were subject to the Exclusions will most likely resume in 2021. To the best knowledge of our Directors after making reasonable enquiries, none of our products fell into the ambit of the Exclusions during the Track Record Period and our Directors take the view that the Exclusions had no impact on our products.

On 6 July 2018, the United States began imposing an additional duty of 25% on imported Chinese products with an annual trade value of approximately US$34 billion ("**List 1**"). On 23 August 2018, the United States imposed an additional 25% duty on imported Chinese products with an annual trade value of approximately US$16 billion ("**List 2**"). The products targeted by the increased duties on List 1 and List 2 include machinery, televisions, medical devices, aircraft parts and batteries.

In light of the PRC's subsequent retaliatory response by imposing duties on the United States goods, the United States proposed to take further action in the form of additional duties on products originating from the PRC with an annual trade value of approximately US$200 billion

("**List 3**"), including categories such as consumer products, chemical and construction materials, textiles, tools, food and agricultural products, commercial electronic equipment and vehicle/automotive parts. On 24 September 2018, the United States further imposed an additional duty of 10% on Chinese imports on List 3 which was increased to 25% effective on 8 May 2019.

After another round of trade talks between the PRC and the United States in June and July 2019 failed, on 20 August 2019, the United States announced that it would impose an additional duty to the remaining approximately US$300 billion of Chinese imports, which covered almost all imported Chinese products not subject to additional duty then ("**List 4**"). The additional duty of 15% on part of these products began on 1 September 2019 ("**List 4A**", US$120 billion) and the others were at first scheduled to take effect on 15 December 2019 ("**List 4B**", US$160 billion).

The United States and the PRC made further progress on trade talks after October 2019. On 15 January 2020, the PRC and the United States entered into the "Economic and Trade Agreement between the Government of the United States of America and the Government of the People's Republic of China" (the "**Phase One Trade Agreement**"). In connection with entering into the Phase One Trade Agreement, the United States suspended the additional duty of 15% on Chinese imports on List 4B which were scheduled to take effect on 15 December 2019 until further notice and reduced the additional duty of 15% on Chinese imports on List 4A which took effect on 1 September 2019 to 7.5% effective on 14 February 2020. As a result, our products falling into the ambit of List 4B are not subject to additional United States Section 301 duty. Nearly all of our products appear to fall under List 4A or List 3, rendering these products subject to an additional duty of 7.5% or 25% when being imported into the United States. The status of the tariffs may change as the trade negotiations between China and the United States evolves. As advised by our legal advisers as to United States laws, in October 2021, USTR Ambassador stated that China is not fully complying with the Phase One Agreement and has failed to make "meaningful reforms" to address the concerns shared by the United States and other countries regarding China's economy. Thus, the current Section 301 tariffs will remain in place. The USTR Ambassador also indicated that the Administration is keeping open the potential for additional tariff exclusion processes.

Impact of the United States duty on our products

During the Track Record Period, the sale of our products to the United States as delivery destination accounted for approximately 44.9%, 44.4%, 46.3% and 26.9% of our total revenue, respectively. The decrease in the sale of our products to the United States as a percentage of our total revenue for the four months ended 30 April 2021 as compared to the full year ended 31 December 2020 was mainly attributed to (i) the decrease in sale of our products to the Bradshaw Group due to the timing factor that the proportion of the sales to Bradshaw Group during a year is generally higher in the second half of a year; (ii) the increase in sales of laundry products to Germany as Customer A launched marketing activities; and (iii) increase in sales of laundry products delivered to the Netherlands for the period. The table below sets forth the breakdown of product category and corresponding revenue derived from products that fall under List 3, 4A and 4B for the years and period indicated:

	For the year ended 31 December			For the four months ended 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
25% (List 3)				
Laundry products	2,644	3,091	512	324
Household cleaning tools	5,370	7,728	29,858	2,735
Kitchen gadgets	3,159	2,563	1,115	—
	11,173	13,382	31,485	3,059
7.5% (List 4A)				
Laundry products	4,041	256	3,027	353
Household cleaning tools	129,114	131,991	131,225	30,504
Kitchen gadgets	412	2,733	12,048	68
	133,567	134,980	146,300	30,925
15% (List 4B)*(Note)*				
Laundry products	—	—	—	—
Household cleaning tools	2,804	1,209	324	—
Kitchen gadgets	—	—	—	—
	2,804	1,209	324	—
Total	147,544	149,571	178,109	33,984

Note: As at the Latest Practicable Date, the additional duty for List 4B had been suspended until further notice.

Details of the impact of the United States duty on our products as at the Latest Practicable Date are set forth below:

List	Principal products targeted by additional United States duty	Our products which are subject to additional United States duties	Rate of additional United States duties	Effective date of implementing the additional United States duties
3.	Consumer products, chemical and construction materials, textiles, tools, food and agricultural products, commercial electronic equipment, vehicle/automotive parts and others	Laundry products, Household cleaning tools, Kitchen gadgets	originally 10% and increased to 25%	24 September 2018 (10%) 10 May 2019 (25%)
4A.	Televisions, clothing, footwear, sporting equipment, table linens, bedding, dishes, food, beverages and others	Laundry products, Household cleaning tools, Kitchen gadgets	originally 15% and reduced to 7.5%	1 September 2019 (15%) 14 February 2020 (7.5%)
4B.	Cell phones, laptop computers, video game consoles, certain toys, computer monitors, certain items of footwear and clothing and others (the "**Excluded Products**")	Household cleaning tools	15%	Suspended until further notice

Party responsible for the additional United States duty

As advised by our legal advisers as to United States laws, the United States importer is ultimately liable for the payment of all import duties upon importation into the United States. As our products were sold and delivered to the United States on an FOB basis, we are not the party that imports products into the United States, we are not responsible for customs clearance within the jurisdiction of the United States nor are we responsible for the payment of any import duties for products imported into the United States. Nonetheless, our customers, being the parties which import goods into the United States, may transfer the extra costs incurred by them as a result of the duty to us.

Implication of additional United States duty on our business

Nearly all of our Group's products sold to the United States appear to fall under List 4A or List 3, subject to an additional duty of 7.5% or 25%. Only one type of product (window cleaning set) was under List 4B, of which as at the Latest Practicable Date, additional duty is currently suspended. As at the Latest Practicable Date, our Directors confirm that we have not been asked to reduce the selling price of our products which fall into the ambit of List 3 or List 4A or List 4B or to bear any of such duty for which our customers were responsible. Regarding our products sold to the United States, which are under List 3 (i.e. 25% duty rate), List 4A (i.e. 7.5% duty rate) and List 4B (i.e. 15% duty rate which is, as at the Latest Practicable Date, suspended), based on (i) our longstanding relationship with our customers in the United States, especially the Bradshaw Group; (ii) the competitiveness of our pricing, product design, development and production capabilities to meet customers' requirements; and (iii) the nature of our products, which are common types of household necessity products, makes it less vulnerable to sudden change in market demand resulting from the duties, our Directors are of the view that the demand and the average selling prices of these products will not be materially and adversely affected.

The table below sets forth the average monthly revenue and sales volume of products sold to the United States before and after the imposition of relevant duties:

	Average monthly revenue	**Average monthly sales volume**
	RMB'000	*'000 unit*
For the period from 1 January 2018 to 23 September 2018	11,845	1,300
Effective date of the List 3 additional duties		
24 September 2018 (10%)		
For the period from 24 September 2018 to 9 May 2019	11,858	1,276
10 May 2019 (25%)		
For the period from 10 May 2019 to 31 August 2019	12,713	1,208
Effective date of the List 4A additional duties *(Note 1)*		
1 September 2019 (15%)		
For the period from 1 September 2019 to 13 February 2020	12,474	1,310
14 February 2020 (7.5%)		
For the period from 14 February 2020 to 30 April 2021 *(Note 2)*	13,352	1,449

Notes:

1. The additional duty of 15% on Chinese imports on List 4A which took effect on 1 September 2019 were reduced to 7.5% effective on 14 February 2020.

2. The increase in our average monthly revenue and average monthly sales volumes to the United States was mainly due to the increase in our sales of household cleaning tools to the Bradshaw Group in 2020.

After the imposition of the List 3 additional duties on our products on 24 September 2018, our average monthly revenue and average monthly sales volume remained relatively stable for the period from 24 September 2018 to 31 August 2019, as most of our products sold to the United States did not fall into the ambit of List 3. After the imposition of List 4 additional duties on 1 September 2019 at 15%, our average monthly revenue and average monthly sales volume remained relatively stable for the period from 1 September 2019 to 13 February 2020 due to our longstanding relationship with the Bradshaw Group, our competitiveness and the nature of our products which are common types of the household necessity products. After the reduction of the List 4 additional duties to 7.5% on 14 February 2020, our average monthly revenue and average monthly sales volume increased during the period from 14 February 2020 and 31 December 2020 mainly due to the increase in our sales to the Bradshaw Group. For further details on why our average monthly revenue and average monthly sales volume was not negatively affected by the additional duties and why the Bradshaw Group placed more orders with us despite the increase in tariff, please refer to the paragraphs headed "Business — Customer concentration — Background of our five largest customers and our relationship with our five largest customer" in this section. Moreover, none of our customers in the United States have indicated to reduce their orders with us amid the China-US trade war. Therefore, our Directors do not foresee that the demand for our products will be materially and adversely affected by the imposition of United States duty.

To minimise the potential impact of the United States duties on our business and to maintain our position as a well-established and reliable OEM or ODM supplier to our customers in the United States, we are planning to adopt the following strategies:

(i) *Price adjustment*: To maintain our competitiveness and subject to any changes in circumstances, if we find it necessary, we may adjust the price of our products in the short-term to the extent that it will not significantly offset or affect our financial performance. In this respect, when the circumstance arises, we will discuss with our customers the price adjustment of our products. However, our Directors are of the view that we will not face pricing pressure from customers in other countries primarily because we do not adopt uniform pricing for our products in different countries. The price of our products in different countries is determined with reference to various factors including the competitive landscape of the countries and prices of the products offered by our competitors. As at the Latest Practicable Date, our Directors confirm that we had not received any price reduction request from our major customers in the United States or other countries due to any possible price adjustment that we would offer to any other customer;

(ii) *Concentrating our efforts on customers in countries and regions other than the United States:* In order to mitigate any inherent risks arising from the impact of any additional United States duties, we will (i) allocate more production capacity and resources for production of products to customers located in the countries and regions other than the United States such as the United Kingdom, Germany and Australia; and (ii) increase our sales and marketing efforts by online channels in these countries and regions to expand our pool of customers in these countries and regions. During the Track Record Period, our Group had recorded a strong performance in countries and regions other than the United States. Our revenue generated from the United Kingdom, Germany and Australia during the Track Record Period remained relatively stable. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, our revenue generated from products delivered to the United Kingdom, Germany and Australia was RMB154.9 million, RMB161.4 million, RMB163.9 million and RMB70.6 million, respectively. We also maintained long-term business relationship with other top five customers in Germany, Australia, the United Kingdom and Austria during the Track Record Period. Some of our major customers located outside of the United States have indicated to us that they would place more purchase orders with us if our production capacity allows. According to the CIC Report, population growth and in particular, the prevalence of smaller households, is expected to continue in the United Kingdom, Germany, and Australia which would drive demand for household necessity products in these markets. Moreover, our sales to countries other than the United States, the United Kingdom, Germany and Australia increased from approximately RMB25.6 million for the year ended 31 December 2019 to approximately RMB42.7 million for the year ended 31 December 2020. Our Directors believe that our proven track record of delivering quality products to well-established international brand owners can provide us with good creditability to expand our sales to more countries other than the United States.

(iii) *Developing our OBM business in the PRC market:* Along with our plan to allocate more efforts on customers in countries and regions other than the United States, we will also further develop our OBM business in the PRC market to reach out to local consumers in the PRC. Since December 2017, we have started developing and manufacturing household necessity products under our own-brand, "*Jia Ji Bao*" (家吉寶) and sell our own-brand products through e-shops in the PRC market. For further details, please refer to the paragraphs headed "Our business strategies — IV. Expand our sales and marketing network" in this section;

(iv) *Maintain disciplined financial strategy:* We will strive to maintain relatively stable gross profit margins amid the increase in United States duties. On top of the above mitigating measures, we also continue to focus on our internal control system to maintain disciplined financial strategy by achieving relatively stable profit margin. For example, (i) our production team, sales and marketing team and finance team will have meetings from time to time to closely monitor key areas such as our production process and the cost thereof; (ii) we also have regular meetings among senior management to ensure that major decisions related to our expenses, sales forecast, cash flow projections, investments and expansion plans etc. are discussed and deliberated among the senior management of our Group; and (iii) our finance team is required to conduct periodic review of our performance and financial condition. Attributed to our internal control system, despite the recent heightened China-US trade tension, we were able to achieve a relatively stable profit margin during the Track Record Period. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, our gross profit margin of products delivered to the United States was approximately 26.3%, 26.6%, 29.0% and 25.8%, respectively. Having considered the effectiveness of our mitigation measures to date, our Directors believe that we could be least impacted by the trade tension in the future and there is no indication of material deterioration in our financial performance to our Group as a whole.

Analysis of hypothetical impact on the revenue and profit of our Group if all additional US duties are borne by us

The following illustrates the hypothetical impact on the revenue and profit for the year of our laundry products, household cleaning tools and kitchen gadgets sold to the United States as the destination of delivery assuming that no exclusions apply and taking into account that corresponding duty rates were applied during the Track Record Period, if all additional US duties applicable to our products are borne by us, while all other factors remain unchanged:

	For the year ended 31 December			For the four months ended 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue for the year	328,748	336,553	384,740	126,240
Revenue from the United States	147,544	149,571	178,109	33,984
Profit for the year/period	40,996	34,057	46,252	11,890
Assuming the additional US duties are borne by us				
Estimated decrease in revenue	191 *(Note 1)*	9,949	19,620	3,084
Estimated decrease in net profit	141 *(Note 1)*	7,462	14,715	2,313

Note 1: On 24 September 2018, the United States started to impose an additional duty of 10% on imported Chinese products on that fell into the ambit of List 3. For the period from 24 September 2018 to 31 December 2018, our products sold to the United States which fell into the ambit of List 3 amounted to approximately RMB0.2 million.

As at the Latest Practicable Date, the addition duty for List 4B had been suspended until further notice. As a result, the Directors expect that there would be no impact on our Group's financial performance for our products that fall under List 4B.

IMPACT OF THE BREXIT ON OUR BUSINESS

Background and recent development of Brexit

On 23 June 2016, the United Kingdom held a referendum pursuant to which the United Kingdom electorate voted in favour of its withdrawal from the EU ("**Referendum**"). While the United Kingdom was originally scheduled to cease to be a member of the EU on 29 March 2019, the United Kingdom only ceased to be a member of the EU since 31 January 2020 ("**Brexit**"). The United Kingdom remained subject to EU laws and regulations during the transitional period which expired on 31 December 2020. Prior to the end of the transitional period, on 24 December 2020, the United Kingdom and the EU has reached an agreement, namely the EU-UK Trade and Cooperation Agreement (the "**TCA**"), determining the terms of the United Kingdom's relationship with the EU.

Impact of Brexit on our products and customers in the United Kingdom

For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, the revenue that we generated from products sold to the United Kingdom as delivery destination amounted to approximately RMB62.1 million, RMB60.5 million, RMB61.6 million and RMB26.3 million respectively, representing approximately 18.9%, 18.0%, 16.0% and 20.8% of our total revenue, respectively. Our Directors believe that Brexit will not have a material adverse impact on our Group's business or our sustainability for the following reasons:

(i) During the Track Record Period and up to the Latest Practicable Date, our cost of sales is predominantly denominated in RMB, and our overseas sales are predominantly denominated in USD. Therefore, exposure to any risks arising from the currency fluctuations in GBP as a result of Brexit is limited;

(ii) To the best knowledge of our Directors, the tariff rates and corporate income tax rates borne by BHP UK remain unchanged since Brexit. As such, our exposure to any tax-related risks arising from Brexit is limited; and

(iii) According to the CIC Report, since the TCA has set out arrangements preferential to the UK for trade in goods and in services and digital trade, the retail sales of drying racks in the United Kingdom are expected to increase from approximately GBP93.3 million in 2021 to approximately GBP103.2 million in 2025, representing a CAGR of approximately 2.6%. Moreover, as stated in the CIC Report, the TCA on the United Kingdom local economy is expected to have minimal effect on the trade relations between the PRC and the United Kingdom as the PRC has been the world factory for household necessities since the country entered into the World Trade Organization in 2011, the majority of the drying racks in the United Kingdom, which is a common type of daily household necessity products, are supplied by the PRC manufacturers. Therefore, even if there is a potential downturn of the United Kingdom local economy, such downturn will not affect the PRC's position as the United Kingdom's major supplier of drying racks. In view of the above, our Directors consider that the potential impact of Brexit on the sale of our laundry products to the United Kingdom would not be significant.

OUR SUPPLIERS

Our suppliers supply us with raw materials and plastic injection moulding service. The major raw materials used in the production of our household necessity products include polypropylene resins, steel, textiles, and packaging materials such as wrapping paper and carton boxes. During the Track Record Period, our Group sourced and procured raw materials predominantly from the suppliers in the PRC.

We have maintained a stable relationship with our major suppliers. Our business relationship with our five largest suppliers during the Track Record Period ranged from approximately four years to 11 years.

The purchase prices of raw materials are determined between the suppliers and us on a case-by-case basis with reference to the then market prices. The credit terms granted by our major suppliers are generally from 0 to 60 days. Payments are generally made by telegraphic transfers or bank acceptance bill and are settled in RMB.

The raw materials we purchased for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021 amounted to approximately RMB166.8 million, RMB174.9 million, RMB191.2 million and RMB70.3 million, respectively. During the Track Record Period, we did not experience any significant shortage of raw materials causing material disruption to our works. Our Directors believe that the supply of raw materials we usually use is stable and sufficient in the market.

Major terms with suppliers

As our major raw materials, namely, polypropylene resins, steel, textiles and packaging materials, are generally readily available in the PRC, our Directors believe that, if required, we can purchase readily from alternative suppliers at prices and quality comparable to those provided by our current suppliers. As such, we did not enter into long-term supply agreement with our suppliers during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that our practice of not entering into long-term supply agreements with our suppliers would not have material adverse impact on our production and business operations.

Instead, our Group would issue purchase orders to the suppliers for each purchase. The salient features of a purchase order are set out below:

Standard terms of our purchase orders. Our purchase orders contain specifications and the quantity of raw materials procured by us, their unit price and the total transaction amount, the required standard of the raw materials, payment date, delivery method and delivery date. Suppliers are usually required to deliver the raw materials to our warehouse at our Huzhou Production Plant at our costs on or before a specified date; and

Credit terms and settlement method. Generally, our suppliers allow us to settle 0 to 60 days from the first day of the succeeding month of the invoice date. Payments are generally made by telegraphic transfer or bank acceptance bill in RMB.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced nor were we aware of any circumstance leading to any contractual disputes with or claims by our major suppliers.

Plastic injection service providers

We engage plastic injection service providers for carrying out plastic injection moulding when the plastic injection machines of our Huzhou Production Plant are running close to their full utilisation.

During the Track Record Period, our Group engaged Deqing Xinzhong Plastic Co., Ltd.* (德清新眾塑膠有限公司) ("**Deqing Xinzhong**"), Deqing Hongsheng Plastic Co., Ltd.* (德清宏升塑膠有限公司) ("**Deqing Hongsheng**") and Deqing Yongsheng Plastic Product Factory* (德清永盛塑料製品廠) ("**Deqing Yongsheng**", together with Deqing Xinzhong and Deqing Hongsheng, the "**Plastic Injection Service Providers**") to process plastic into parts that we will further assemble into household necessity products. The Plastic Injection Service Providers are considered as connected persons of our Group, for further details, please refer to the section headed "Continuing connected transactions". Our Directors confirmed that the engagement to the processing service providers was an interim measure taken by us on an as-needed basis in light of the high utilisation rate of our production lines during the relevant period. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, our total processing fees with Plastic Injection Service Providers amounted to approximately RMB12.8 million, RMB14.5 million, RMB15.9 million and RMB8.0 million, respectively, representing approximately 5.4%, 6.0%, 5.9% and 8.8% of our total cost of sales, respectively.

During the Track Record Period, our Group entered into framework agreements with our Plastic Injection Service Providers. The following table summarises the major terms of our framework agreements with our Plastic Injection Service Providers:

Term of agreements	:	The length of the agreements is one year and is renewed upon expiry unless either party gives written notice of termination within one month prior to expiry.
Minimum amount for service required	:	No minimum amount of service required.
Quality control and warranty period	:	The service providers will perform sampling inspection on the processed parts; the warranty period is 12 months from the date of the processed parts accepted by our Group.
Delivery:	:	The service providers will, at their own costs, arrange delivery of the processed parts to the location designated by our Group.
Confidentiality undertaking	:	The service providers will not disclose to any third party any trade secrets, technical know-how and any other information acquired in the course of conducting business with our Group, unless such disclosure is permitted with the prior written consent of our Group.
Termination	:	The agreements can be terminated by mutual agreement of both parties.

Our staff will attend the production plant of our processing service providers when the processing service works are taking place. They will supervise production processes, and conduct testing to ensure the processed items are in compliance with our specifications. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disputes with our processing service providers.

Our major suppliers

Owing to the large variety of our products we manufacture, we have maintained a pool of approved suppliers to support our operation. We generally have alternative sources to supply the same kind of raw materials and hence, the loss of any single supplier would not have a material impact on our operations. During the Track Record Period, we had over 300 suppliers on our list of approved suppliers. For the same years, our purchases made to our five largest suppliers amounted to approximately RMB63.0 million, RMB61.6 million, RMB61.2 million and RMB26.4 million, respectively, representing approximately 35.1%, 32.5%, 29.3% and 33.2% of our total purchases, respectively. For the same years, our purchases made to our largest supplier amounted to approximately RMB30.4 million, RMB29.9 million, RMB30.8 million and RMB11.9 million, respectively, representing approximately 16.9%, 15.8%, 14.8% and 15.0%, respectively, of our total purchases.

The following tables set forth the profiles of our five largest suppliers during the Track Record Period:

For the year ended 31 December 2018

Rank	Supplier	Principal business	The year our supplier first started to do business with us	Approximate amount of purchases	Approximate percentage to the total purchases incurred in that year	Principal raw materials/ service purchased	Credit period and payment method
				(RMB'000)			
1	Supplier A	A PRC private company that engages in the sales of metals, construction materials and plastic materials.	2017	30,380	16.9%	Steel	30 days, telegraphic transfer and bank acceptance bill
2	Supplier F	A PRC private company that engages in the sales of chemical products, natural rubber and plastic raw materials and products.	2013	15,303	8.5%	Polypropylene resins	7 days, telegraphic transfer

Rank	Supplier	Principal business	The year our supplier first started to do business with us	Approximate amount of purchases	Approximate percentage to the total purchases incurred in that year	Principal raw materials/ service purchased	Credit period and payment method
				(RMB'000)			
3	Supplier G	A PRC private company that engages in the sales of hazardous chemicals.	2010	6,152	3.4%	Polypropylene resins	Upon delivery, telegraphic transfer
4	Supplier H	A PRC private company that engages in the production of silk textiles, cotton textile and synthetic yarns textile.	2014	5,859	3.3%	Textile	60 days, bank acceptance bill
5	Supplier E	A PRC private company that engages in the production of packaging and decoration materials.	2017	5,344	3.0%	Packaging materials	60 days, bank acceptance bill
	Total			**63,038**	**35.1%**		

For the year ended 31 December 2019

Rank	Supplier	Principal business	The year our supplier first started to do business with us	Approximate amount of purchases	Approximate percentage to the total purchases incurred in that year	Principal raw materials/ service purchased	Credit period and payment method
				(RMB'000)			
1	Supplier A	A PRC private company that engages in the sales of metals, construction materials and plastic materials.	2017	29,947	15.8%	Steel	30 days, telegraphic transfers and bank acceptance bill

Rank	Supplier	Principal business	The year our supplier first started to do business with us	Approximate amount of purchases	Approximate percentage to the total purchases incurred in that year	Principal raw materials/ service purchased	Credit period and payment method
				(RMB'000)			
2	Supplier F	A PRC private company that engages in the sales of chemical products, natural rubber and plastic raw materials and products.	2013	14,181	7.5%	Polypropylene resins	7 days, telegraphic transfer
3	Supplier H	A PRC private company that engages in the production of silk textiles, cotton textile and synthetic yarns textile.	2014	6,778	3.6%	Textile	60 days, bank acceptance bill
4	Deqing Xinzhong	A PRC private company that engages in the production of plastic products and raw materials.	2011	5,352	2.8%	Plastic injection moulding service	30 days, telegraphic transfer and bank acceptance bill
5	Supplier E	A PRC private company that engages in the production of packaging and decoration materials.	2017	5,314	2.8%	Packaging materials	60 days, bank acceptance bill
	Total			**61,572**	**32.5%**		

For the year ended 31 December 2020

Rank	Supplier	Principal business	The year our supplier first started to do business with us	Approximate amount of purchases	Approximate percentage to the total purchases incurred in that year	Principal raw materials/ service purchased	Credit period and payment method
				(RMB'000)			
1	Supplier A	A PRC private company that engages in the sales of metals, construction materials and plastic materials.	2017	30,815	14.8%	Steel	30 days, telegraphic transfer and bank acceptance bill
2	Supplier F	A PRC private company that engages in the sales of chemical products, natural rubber and plastic raw materials and products.	2013	8,954	4.3%	Polypropylene resins	7 days, telegraphic transfer
3	Supplier B	A PRC private company that engages in the sales of chemical raw materials and products.	2015	7,599	3.6%	Polypropylene resins	3 days, telegraphic transfer
4	Supplier H	A PRC private company that engages in the production of silk textiles, cotton textile and synthetic yarns textile.	2014	7,370	3.5%	Textile	60 days, bank acceptance bill
5	Supplier I	A PRC private company that engages in the production and sales of aluminium products.	2010	6,442	3.1%	Aluminium	30 days, telegraphic transfer
	Total			**61,180**	**29.3%**		

For the four months ended 30 April 2021

Rank	Supplier	Principal business	The year our supplier first started to do business with us	Approximate amount of purchases	Approximate percentage to the total purchases incurred in that year	Principal raw materials/ service purchased	Credit period and payment method
				(RMB'000)			
1	Supplier A	A PRC private company that engages in the sales of metals, construction materials and plastic materials.	2017	11,896	15.0%	Steel	30 days, telegraphic transfer and bank acceptance bill
2	Supplier J	A PRC private company and its group companies that engage in the sales of a variety of products such as energy resources, chemical products, iron and steel.	2018	4,351	5.5%	Polypropylene resins	7 days, telegraphic transfer
3	Supplier I	A PRC private company that engages in the production and sales of aluminium products.	2010	3,852	4.8%	Aluminium	30 days, telegraphic transfer
4	Deqing Xinzhong	A PRC private company that engages in the production of plastic products and raw materials.	2011	3,373	4.2%	Plastic injection moulding service	30 days, telegraphic transfer and bank acceptance bill
5	Supplier C	A PRC private company that engages in the production and sales of metal materials and products.	2012	2,907	3.7%	Aluminium	30 days, telegraphic transfer and bank acceptance bill
	Total			**26,379**	**33.2%**		

Relationship with our five largest suppliers during the Track Record Period

None of our Directors, their respective close associates, or any Shareholders who or which, own more than 5% of the issued share capital of our Group as at the Latest Practicable Date, had any interest in any of the five largest suppliers of our Group during the Track Record Period. Save for Deqing Xinzhong which was our fourth largest supplier for the year ended 31 December 2019 and a connected person to our Company, all of our five largest suppliers are Independent Third Parties.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) we had not relied on any single source of supply for our raw materials; (ii) we had no major returns of raw materials relating to quality problems during the Track Record Period; (iii) we had not experienced any material disruption or dispute in supply that may adversely affect or delay our production plan; and (iv) we had not experienced any material delay in making payments to our suppliers.

Selection of suppliers

Our Group selects suppliers based on a number of criteria including their product quality, pricing, supply capability, reputation, timely delivery and business track record with our Group. Our Group regularly communicates with our suppliers, conducts on-site evaluation of the suppliers production plant and reviews and assesses their performance and their eligibility. Based on the result of our review and assessment, our Group has compiled and maintained a list of approved suppliers. Our Group usually obtains quotations from two to three qualified suppliers from the list of approved suppliers. The performance of individual suppliers is evaluated on a regular basis, based on criteria such as quality of product or service, response to our enquiries and complaints, and delivery punctuality. Shall any one of these suppliers fail to satisfy our quality and service requirements upon our review they would be removed from the list. As at the Latest Practicable Date, we had over 300 suppliers on our list of approved suppliers.

We tend to maintain stable relationships with our suppliers to ensure that no disruption is caused to our operation as a result of any change in supplier. Our business relationship with our five largest suppliers ranged from approximately four to 11 years as at the Latest Practicable Date.

RAW MATERIALS AND ELECTRICITY

The major raw materials used in the production of our products are polypropylene resins and steel. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, the cost of polypropylene resins and steel accounted for approximately 63.3%, 65.5%, 63.4% and 64.6%, respectively, of our total purchase.

The table below sets forth the purchase of raw materials during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	RMB'000	*% of total purchase*	*RMB'000*	*% of total purchase*	*RMB'000*	*% of total purchase*	*RMB'000* (unaudited)	*% of total purchase*	*RMB'000*	*% of total purchase*
Polypropylene resins	57,794	34.6	63,582	36.4	72,236	37.8	19,802	39.7	26,199	37.3
Steel	47,897	28.7	50,922	29.1	48,961	25.6	14,100	28.3	19,158	27.3
Packaging materials	35,118	21.1	33,722	19.3	38,256	20.0	9,106	18.3	12,734	18.1
Textiles	12,872	7.7	12,806	7.3	12,158	6.4	2,413	4.8	2,815	4.0
Others *(Note)*	13,147	7.9	13,884	7.9	19,636	10.2	4,418	8.9	9,377	13.3
Total	**166,828**	**100**	**174,916**	**100**	**191,247**	**100**	**49,839**	**100**	**70,283**	**100**

Note: Others include aluminium and other consumable materials.

Polypropylene resins

Polypropylene resins is commonly used for the production of our laundry products, household cleaning tools and kitchen gadgets products. During the Track Record Period, our polypropylene resins were mainly sourced from manufacturers or trading entities of plastic or other raw materials. The polypropylene resins we purchase were directly delivered to our Huzhou Production Plant. Our Group usually maintains inventory on polypropylene resins for use of two to four weeks.

Steel

Steel is commonly used for the production of laundry products. During the Track Record Period, our steel was sourced from manufacturers or trading entities of metal raw materials. The steel we purchase is directly delivered to our Huzhou Production Plant. The lead time between the order placement and delivery of steel is approximately two weeks. Our Group maintain minimal inventory on steel and the price we purchase at is based on the daily market price.

Procurement

During the Track Record Period, we procured raw materials predominantly from suppliers in the PRC.

Our production team will formulate a procurement plan on a monthly basis and such procurement plan is determined based our production plan. Our production plan is established based on our customers' purchase orders and the then inventory level of our raw materials. Polypropylene resins and steel are the principal materials commonly used in the manufacturing of our products. For polypropylene resins, we generally make bulk purchase and keep an inventory level of two to four weeks. For steel, we generally make bulk purchase per our production plan and we maintain minimal inventory. We select our suppliers from our list of approved suppliers, which comprises over 300 suppliers, and generally obtain quotations from at least two to three approved suppliers. The credit term offered by our suppliers ranges from 0 to 60 days, and payments are generally made by telegraphic transfer or bank acceptance bill.

As our raw materials are readily available, we do not enter into any long-term procurement agreements with our raw materials supplier. We had not adopted any price-locking arrangement to manage price fluctuations of our raw materials.

Electricity

Our production processes involve consumption of substantial amount of electricity and hence, an uninterrupted and stable supply of electricity is crucial to our business and operations. Considering that there has been a significant increase in demand for electricity supply in the PRC in recent years, to conserve fuel stocks and reduce energy intensity, various provinces, including Deqing County in Zhejiang province where our Huzhou Production Plant is situated, have implemented power rationing measures and power outages in various high energy-consuming industry sectors. Our Directors confirmed that the electricity consumption and production process in our Huzhou Production Plant had not been suspended or restricted at the request of the local governmental authority during the Track Record Period and up to the Latest Practicable Date. Furthermore, our Huzhou Production Plant has its own backup power system to generate power supply for maintaining its daily operation on a contingency basis if there is an electricity blackout or cutoff in the area or when we encounter any restriction in obtaining power supply from local power suppliers. Nevertheless, power outages or prolonged power shortage in electricity supply would impose an inherent risk to our business and operation, our Directors would monitor the situation and consider the need to enhance the capacity of our power supply system at the Huzhou Production Plant if necessary.

INVENTORY MANAGEMENT

Our inventory mainly includes raw materials, work-in-progress and finished products. Our procurement team, which consists of six staff members as at the Latest Practicable Date, closely monitors the cost of the raw materials and the inventory level of the raw materials to meet the production requirements, and control the cost of purchase of our raw materials.

We manage our inventory levels through ERP systems, together with our physical records, which keep moving record of our inventory levels. Our warehouse staff will also conduct physical inventory taking at our Huzhou Production Plant on a monthly basis to ensure accuracy of our inventory record and inspect physical condition of our inventory.

Our Group's inventory level as at 31 December 2018, 2019 and 2020 and four months ended 30 April 2021 amounted to approximately RMB34.0 million, RMB51.4 million, RMB60.1 million and RMB73.9 million, respectively. For the years ended 31 December 2018, 2019 and 2020, our inventory turnover days were approximately 46 days, 64 days, 75 days and 88 days, respectively. For further details, please refer to the paragraphs headed "Financial information — Discussion on selected balance sheet items — Inventories" in this prospectus.

Raw materials

We purchase most of our raw materials mainly based on the purchase orders placed by our customers and the then inventory level of our raw materials to avoid accumulation of excessive inventories. We procure raw materials in bulk in order to negotiate for better prices from our suppliers.

As most of our products are produced based on purchase orders from our customers, our production team will determine the amount of raw materials to be utilised based on the quantity of products under the purchase orders:

— once the quantity of products to be manufactured are confirmed, our production team and our procurement team will check the availability of existing inventory and will then proceed to order the raw materials from suppliers;

— after our QAQC team has inspected the incoming raw materials, the raw materials will be warehoused and we will perform material categorisation and inventory tracking;

— a stock take is regularly performed to ensure the accuracy of stock-in and stock-out information on record. Throughout the year, our Group reviews the stocktaking records and performs inventory aging analysis to ensure that inventories are properly used and that there is no significant accumulation of aged inventories; and

— to ensure the quantity of our raw materials, we retrieve our inventory on a first-in-first out basis.

Work-in-progress and finished products

Work-in-progress refers to our semi-finished products pending further assembly. Finished products refer to the products which are readily delivered to customers. As our Group generally commences production process after receipt of purchase orders placed by the customers, there is no significant risk of obsolescence of work-in-progress and finished products. Our Group adopts weighted average approach to calculate the cost of our finished products and closely monitors the inventory level of the finished products.

QUALITY CONTROL AND QUALITY ASSURANCE

Our Group has adopted a series of quality control and quality assurance measures on the selection and testing of raw materials, conducting quality checks on work-in-progress and outsourced production, and our finished products throughout the assembling and production process to ensure the quality of our products as well as their adherence to customers' specifications. In recognition of our efforts in maintaining international standards of quality control and management, since 2015 we have been accredited with ISO14001 on environmental management systems; ISO9001 on quality management systems and OHSAS 18001/ISO45001 on occupational health and safety management. As at the Latest Practicable Date, our QAQC team comprises 41 staff members, which is led by our executive Director, Mr. Fang Gaisheng. For details of the background of Mr. Fang Gaisheng, please refer to the section headed "Directors and senior management" in this prospectus. Our QAQC team is responsible for the overall implementation of the relevant quality control measures as at the different stages of production process and our finished products, and identifying any quality control issues where our production team will address such issues.

Quality control on the incoming raw materials

All incoming raw materials are subject to inspection by our QAQC team, to ensure their conformity with the agreed specifications set out in the relevant design and prepare a report on the results of the inspection and such report will be reviewed by the head of our QAQC team. Our Group's internal guidelines require different testing and inspection process to cover aspects including appearance, size, structure and actual compatibility. Subsequently, upon discovery of any sub-standard or defective raw materials, we will follow up with the relevant suppliers for defect analysis and arrange for the return or replacement.

Quality control on the work-in-progress

The quality control personnel test the quality of the work-in-progress at various stages of the production process on a real-time basis to ensure the work-in-progress can meet the required standards and customers' specifications. If the work-in-progress are found to be defective, they will be immediately marked as "defective" and recorded by the QAQC team. The defective work-in-progress are then repaired or disposed of and are subject to failure analysis to identify the root cause of the failure and to determine what corrective actions need to be taken.

Quality control on outsourced production

Our Plastic Injection Service Providers are required to produce plastic parts of our products that meet relevant governmental and industrial standards in the PRC and overseas markets (where appropriate) or such other quality standards as agreed between our Group and our Plastic Injection

Service Providers. The parts manufactured by our processing service providers are subject to our inspection and the Plastic Injection Service Providers are responsible for rectifying any quality defects as identified by us.

Quality control on overall quality of finished products

Our QAQC team carries out visual inspection and testing of our finished products. In respect of the visual inspection, the quality control personnel conducts random inspection on the physical appearance, level of adherence to our customers' specifications and functional testing on the quality of our products. The finished products must pass the final quality test on their functionality and physical properties including strengths and durability, which include putting our finished products through drill tests, pressing, and placing the products in various temperature range, simulating the normal circumstances in which our products will be used by our customers. The finished products that fail to meet quality standards will be subject to rework and those which meet the requisite standard will be subject to final inspection by the customers, if required.

In addition to conducting random checks on our finished products, some of our overseas customers also inspect our Huzhou Production Plant on a regular basis. Our production process and the quality of finished products have to pass their approval procedures in order to be qualified as their approved supplier.

SEASONALITY

We typically experience increased sales orders shortly before and after the Chinese New Year holidays as we generally encourage our customers to place orders with us prior to the Chinese New Year holidays, during which our Huzhou Production Plant is not in operation. On the other hand, our sales to Bradshaw Group is generally higher in the second half of a year as the demand for household cleaning tools in the United States is generally higher driven by (i) festive seasons such as Thanksgiving Day and Christmas, and (ii) home cleanings before New Year's Eve.

SALES AND MARKETING

As at the Latest Practicable Date, we had a sales and marketing team composed of one personnel who was responsible for the sales and marketing activities for the PRC market, nine personnel who were responsible for our sales and marketing activities for the overseas market and six personnel who provided the administrative and after sales support to our sales and marketing function. They are responsible for handling external liaisons with customers and suppliers. Our sales and marketing team is also involved in the processing of all sales orders, overseeing our sales progress as well as visiting our customers and liaising with them by telephones and e-mails. It is also responsible for conducting market research, coordinating with design and development team for product planning and organising marketing activities. For the years ended 31 December

2018, 2019 and 2020 and four months ended 30 April 2021, our staff costs for our sales and marketing team and other related marketing expenses incurred amounted to approximately RMB6.5 million, RMB3.2 million, RMB2.9 million and RMB0.9 million, respectively. Our main marketing strategies include the following:

Participation in trade fairs and exhibitions

For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, we attended five, three, one and nil trade fairs and exhibitions and incurred expenses of approximately RMB0.3 million, RMB0.2 million, RMB96,000 and nil, respectively. When our customers are satisfied with the exhibited samples, they may place orders directly at the venue. They may also follow up with our sales and marketing team after the fairs on their orders and as to whether any adjustment they would like to make on the product designs and packaging. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, our sales obtained from the trade fairs and exhibitions amounted to approximately RMB0.5 million, RMB1.0 million, nil and nil, respectively. Our Directors are of the view that the trade fairs and exhibitions offer an important venue for us to showcase our latest product portfolios to potential customers and to increase our exposures in the market.

Our Directors believe that regular participation in these exhibitions would allow us to show case our new products and our latest product offerings, and enable us to collect feedback and market information to facilitate our analysis on latest market trends and consumers' preference on product design and features.

Regular communications and visits to our customers

To reinforce our other marketing initiatives, our management and our sales and marketing team maintain regular visits to major customers in the United States and Europe to obtain their feedbacks on our products, understand their requirements and expectations on our products, to obtain latest market trend, which are important for us to maintain and to consolidate our business relationship with these major customers, obtain purchase orders from them and to collect useful information for our product and business planning.

Research on customers' purchase pattern and latest market trend

Our sales and marketing team also analyses and assesses the historical purchase pattern of our customers to project product demand for the next season from time to time, and report to our executive Directors to formulate the corresponding production and marketing plans. Our product design and development team also work together with our sales and marketing team to follow closely with market trends in order to maintain a strong consumer demand. Prior to the Track Record Period, for the purpose of gauging consumer demand for our products, our Group established a joint venture, Home Laundry, for engaging in the reselling of household necessity products purchased from our Group to its customers through online shop in the United Kingdom. However, considering that (i) Home Laundry only generated minimal revenue from its business operations; (ii) our Group has established BHP UK to handle the sale of our products to our customers located in the United Kingdom; and (iii) the sale of our products through online shop in the United Kingdom is no longer in line with our then business strategies, our Directors decided to divest from Home Laundry for effective allocation of internal resources. For further details of Home Laundry, please refer to paragraphs headed "History, Reorganisation and corporate structure — Divestment of interests in a jointly-controlled entity" in this prospectus.

COMPETITION

According to the CIC Report, the continuous increase of total number of households in developed countries and the rising immigrant population in developed countries, together with the continuous rise of household income levels in those developed countries, have driven demand for household necessity products in both local and foreign markets. Moreover, the PRC government's "Belt and Road" Initiative, which aims to help build infrastructure in participating countries and encourage international trade, is expected to have positive impact on the PRC's manufacturing industry in general.

Laundry product market

According to the CIC Report, the PRC is the largest manufacturing and consumption country of drying racks in the world. As at the end of 2020, there are approximately 600 drying rack manufacturers in the PRC, among which around 100 manufacturers also engage in export business. In term of exports revenue in 2020, the top five players in the drying rack manufacturing market for export accounted for approximately 32.6% of market share in the PRC, and our Group ranked the second with a market share of 6.6%.

Household cleaning tool market

According to the CIC Report, the cleaning tool manufacturing market in the PRC is highly fragmented, with approximately 8,000 participants. Among these companies, more than 2,000 cleaning tools manufactures also engage in export business. The top five players in the PRC's household cleaning tool market amounted for approximately 2.7% of the total market in terms of export revenue in 2020.

In view of (i) the anticipated growth consumption level in developed countries; (ii) the increasing demands on premium household necessity products; and (iii) the steady growth of population and increasing household expenditure, the demand for laundry products and household cleaning tools is expected to grow in the future.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 780 full time employees based in the PRC and the United Kingdom. The following table sets forth the breakdown of our employees in the PRC by function as at the Latest Practicable Date:

Functions	Number of employees
Directors and senior management	5
Administration and finance	8
Product design and development	11
Procurement	6
Production	599
Warehouse and inventory management	67
Quality control	41
Sales and marketing	16
Others *(Note)*	25
Total	**778**

Note: Others include security guards, cleaning staff and other supporting staff.

As at the Latest Practicable Date, we had two employees serving at BHP UK in the United Kingdom, both of whom were local workers and were responsible for our sales and marketing functions in the United Kingdom.

Remuneration

Our employees are generally remunerated by way of fixed salary, discretionary bonuses and allowances. Our Group adopts an appraisal system for our employees and considers the appraisal results of individual employees when conducting their salary reviews, making promotion decisions and determining the amount of bonuses. Our employees are also entitled to performance-based bonus, paid leave and various subsidies.

Relationship with employees and recruitment policies

Our Directors believe that our management policies, working environment, employee development opportunities and employee benefits are important to maintain good employer-employee relations and attract talents. Our Directors confirm that during the Track

Record Period and up to the Latest Practicable Date, we had not encountered any difficulty in the recruitment and retention of staff for our operation or experienced any disruption in our operation as a result of labour disputes with our employees in all material respects.

We generally recruit our employees in open market through posting our vacancies in newspapers and online. We select suitable applicants based on a number of factors such as their working experience, educational background and vacancy needs.

Employee Training

In order to strengthen the overall competitiveness of our workforce, to attract and retain talents and to strengthen their knowledge and skills, we place strong emphasis on training employees. We provide trainings to our employees across different functions, including induction training for new employees, functional training on necessary skills and knowledge of respective work areas and on-the-job trainings to enhance our production labour on the safety measures when performing their work.

Social Welfare Scheme and Housing Provident Funds

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), our major operating PRC subsidiary, namely BHP Zhejiang, is required to make social insurance fund contributions for its employees in the PRC, which shall cover basic pension insurance, basic medical insurance, maternity, worker related injury insurance and unemployment insurance. BHP Zhejiang is also required under the Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》) to deposit housing provident funds to its employees in the PRC. For further details, please refer to the paragraph headed "Regulatory overview — Laws and regulations relating to labour and social security" in this prospectus.

Despatched staff

Pursuant to the Interim Provisions on Labour Dispatch* (《勞務派遣暫行規定》) which came into effect on 1 March 2014, if the number of despatched staff members utilised by an employer exceeds 10% of the total number of its workers prior to the effective date of these Provisions, such employer shall develop a scheme for employment adjustments to reduce the proportion to the specified level within two years from the effective date of these Provisions. The number of despatched employees engaged by us had exceeded the regulatory threshold of 10% of the total number of their respective workers during the Track Record Period until April 2019. For more details, please refer to the paragraphs headed "Regulatory overview — Laws and regulations relating to labour and social security" in this prospectus.

To rectify the situation, we had reduced the number of despatched staff engaged by us below the regulatory threshold since April 2019. Our Directors confirmed that our Group would not have incurred any significant staff costs if the work performed by the despatched staff in excess of the 10% regulatory threshold was performed by our own staff and thus, the impact on our Group's overall cost structure and profitability going forward after replacing certain despatched staff by our direct employees for compliance with the relevant law is not significant.

ENVIRONMENTAL PROTECTION

Manufacturing enterprises, like our Group, are subject to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and other relevant environmental protection laws and regulations. For further details, please refer to the paragraphs headed "Regulatory overview — Laws and regulations relating to environmental protection" in this prospectus.

During the production process of our products, we generate noise, industrial dust, water and solid waste pollutants which exposes us to environmental-related risks. We have implemented environmental management measures to manage and review emission of wastage. For details, please refer to paragraphs headed "Our environmental, social and governance policy" in this section.

Our Group had engaged an external inspection and assessment institution to identify and assess our level of compliance in respect of environmental protection covering emission of wastewater, noise control and air pollution control in December 2018, December 2019 and October 2020. With the data set out in the inspection report, our Directors note that the levels of wastewater, noise and air pollutants incurred in the course of our production are within the range under the relevant laws and regulations in the PRC. We are accredited with ISO14001 certification, in respect of our environmental management system in production and design of our products and thus, our Directors take the view that our environmental management system is effective and comply with the relevant national standard. As advised by our PRC Legal Advisers, the above institution is qualified to carry out inspection and assessment. In view of the importance of maintaining high standard of environmental protection compliance, our Directors intend to continue to engage external inspection and assessment institutions to identify our environmental-related risks and assess the effectiveness of our environmental management system on a regular basis.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group's business, strategy and financial performance have not been materially and adversely affected by any actual or potential impacts of environmental-related risks. Going forward, we will continue to allocate adequate resources and efforts to uphold and improve our environmental protection measures in order to reduce the inherent environmental-related risks.

Pollutant discharge permit

We obtained a pollutant discharge permit* (排污許可證) with effect from 28 November 2012 to 27 November 2017, which was subject to renewal for every three or five years. Pursuant to the confirmation letters issued by Deqing County Environmental Protection Bureau* (德清縣環境保護局) which was a competent authority as confirmed by our PRC Legal Advisers, (now known as Huzhou City Ecology and Environment Bureau, Deqing Branch* (湖州市生態環境局德清分局)) (the "**Ecology and Environment Bureau**") dated 23 January 2018 and 25 June 2018, respectively, it was confirmed that (i) we had submitted an application for the relevant pollutant discharge permit and based on the Classification Administration Catalog of Discharge Permits of Stationary Pollution Sources (2017 Version)* (《固定污染源排污許可分類管理名錄(2017年版)》); (ii) the implementation period of pollutant discharge permit for metal surface treatment and heat processing industry* (金屬表面處理及熱處理加工行業) would be 2020; and (iii) our Group belongs to this catalogue and hence our pollutant discharge permit needed no extension before 2020. Based on the Classification Administration Catalog of Discharge Permits of Stationary Pollution Sources (2019 Version)* (《固定污染源排污許可分類管理名錄 (2019年版)》) (the "**Classification Administration List 2019**"), all manufacturing companies will be reclassified and re-registered according to the amount of pollutant emission of the companies and some companies with minor environmental impact will be exempt from the requirement of obtaining pollutant discharge permit and will only be required to register with corresponding local ecology and environment bureau. Pursuant to the reply from the Ecology and Environment Bureau, the reclassification and re-registration process has started in May 2020. As advised by our PRC Legal Advisers, BHP Zhejiang had been reclassified by the Ecology and Environment Bureau as a company with minor environmental impact under the Classification Administration List 2019 and is exempted from the requirement of obtaining pollutant discharge permit. BHP Zhejiang has registered with the Ecology and Environment Bureau and has obtained a stationary pollutant sources discharge registration receipt* (固定污染源排污登記回執) which is effective from 8 July 2020 to 7 July 2025.

Based on the confirmation letter issued by the Ecology and Environment Bureau dated 1 July 2021, it is confirmed that we had not been subject to any administration punishment for violation of any environmental law and regulations in the PRC during the Track Record Period. As confirmed by our PRC Legal Advisers, the Ecology and Environment Bureau is a competent authority in charge of environmental protection in Deqing County. The Ecology and Environment Bureau, being the local supervising body for environmental protection, has the power and authority to issue the aforementioned confirmation letter. As confirmed by our PRC Legal Advisers, our Group had complied with the PRC environmental law and regulations in all material respect during the Track Record Period and up to the Latest Practicable Date.

OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our Directors recognise environmental protection as an important social responsibility of our Group. Hence, we adhere to the environmental, social and governance ("**ESG**") management direction that targets to (i) monitor the environmental impact of our business operations, (ii) mitigate climate-related risks such as global warming; and (iii) ensure that our operations are in compliance with the relevant environmental requirements pursuant to the PRC laws and regulations.

Identification, management and assessment approaches

Our Directors consider that establishing and implementing sound ESG principles and practices will help increase the investment value of an enterprise and provide long-term returns to our stakeholders. Our Board is principally responsible for overseeing the formulation and reporting of our ESG direction and strategies, determining the ESG-related risks, and monitoring and reviewing our ESG performances. Furthermore, it also closely follows the latest ESG-related laws and regulations and correspondingly updating our ESG measures to ensure that we comply with the latest regulatory laws and regulations. Upon the Listing, we will establish the ESG Management Committee to support our Board in formulating and implementing the ESG Policy and collecting ESG data for preparing for the ESG report.

Our Board will adopt the following approaches to identify, assess and manage material ESG issues:

Identification: Our Directors discuss with key stakeholders, including our major customers, major suppliers, management team and employees, the ESG issues and collect their views and opinions on our ESG measures and practices, which, help us better identify and prioritise the ESG issues and risks inherent in our business operations and formulate effective ESG measures to mitigate those risks. Our Directors believe that this open dialogue with stakeholders plays a crucial role in maintaining our business sustainability.

Management: Attributed to the above efforts, we have implemented ESG measures that provide guidelines in managing our ESG issues. In this connection, our Board will review ESG issues arising from our business operations including climate-related issues when reviewing our ESG measures, major plans of actions, risk management policies, annual budget in implementing these ESG measures and our business plans as well as setting our performance objectives.

Assessment: Apart from assessing the performance of our ESG measures through discussion among our Directors and our stakeholders, our Board would engage Independent Third Party inspection and assessment institutions to identify and assess our level of compliance in respect of environmental protection covering emission of wastewater, noise control and air pollution control and climate changes.

To comply with the Stock Exchange's reporting requirements on ESG following the Listing, we will formulate an ESG policy (the "**ESG Policy**") following the Listing which will outline, among others, (a) the appropriate risk governance on ESG matters; (b) ESG strategy formation procedures; (c) ESG risk management and monitoring; and (d) identification of key performance indicators ("**KPIs**") and the relevant measurements. The ESG Policy will be formulated in accordance with the standards of Appendix 27 ("**ESG Reporting Guide**") to the Listing Rules and be reviewed on an annual basis to ensure that it remains relevant and appropriate to the needs of our operation.

Actual and potential impact of environmental and climate-related risks on our businesses, strategies and financial performance

Our Directors recognise the adverse impact of global climate change, which will be intensified by continued emission of greenhouse gases, to global economic and social development and thus, our Directors exert their efforts on environmental protection and mitigation of climate-related risks in operating our business.

We may be exposed to possible financial loss and non-financial detriments arising from environmental and climate-related risks. These risks can be categorised into (a) transition risks: being the risks arising from compliance with the applicable environmental laws and regulations and the stringent environmental protection standards; and (b) physical damages: being the damages arising from acute weather-related events and longer-term chronic shifts in climate patterns.

Transition risks

Our production activities in the PRC are subject to the national environmental laws and regulations in the PRC as well as the environmental regulations and standards promulgated by the relevant local government authorities. Please see the section headed "Regulatory overview — Laws and regulations relating to environmental protection" in this prospectus for further information. In particular, the production of some of our products involves the use of polymer, polypropylene resins which come from petroleum origin and their wastes cannot be biodegraded, although it can be degradable with chemical additives to help speeding up the rate of degradation and different kinds of chemical materials and the production process of which also generates noise, industrial dust, water and solid waste pollutants. If we fail to comply with any of the applicable environmental protection laws and regulations and standards, we may be subject to fine or penalty or mandatory suspension of our operation. However, the laws and regulations on environmental protection may change from time to time and any change may not only increase our cost of compliance and place financial burden on our operations but also increase the litigation risks in our operations. For detail, please see the section headed "Risk Factors — Risks relating to our business — We are subject to stringent environmental and workplace safety laws and regulations, and we may incur substantial costs in complying with such laws and regulations and be subject to potential liability" in this prospectus. Such regulatory developments, together with the existing laws, regulations and expectations, may have material impacts on our production activities and thus present "transition" risks to us, which may affect our operation. Furthermore, if our Group is in breach of any environmental laws and regulations, or faces any threatened claim in this respect, it will adversely affect our reputation and our creditability. It may also adversely affect our business performance, reduce our competitiveness to new investors and damage our reputation in the industry. Therefore, we have adopted a series of measures to minimise the risks of environment pollution and non-compliance with the applicable environmental laws and regulations. For details, please refer to the section headed "Our environmental policies".

Physical risks

With climate change, the global temperature may increase, causing the higher consumption of the electricity resulting in, among others, a rise in the cost of raw materials. Further, the global temperature increase may also result in more unpredictable weather conditions such as frequent and severe occurrences of typhoons, hurricanes, droughts, flooding and increased rainfall, etc.; Such weather conditions are anticipated to cause disruption to transport services, which may in turn result in delay of delivery of raw materials and our products. In view of the possible increase in the cost of raw materials and the disruption of transportation, our supply chain may be adversely affected. Save for the above-mentioned possible disruption to the supply of raw materials, our Directors consider that the global temperature increase will not have a significant impact on our Group's production process. Our Production Plant for production of all our products is located in Huzhou City. The average temperature of Huzhou City is 13.1°C to 20.5°C. During winter seasons, the average temperature of Huzhou City is 2.1°C to 9.1°C. During summer seasons, the average temperature of Huzhou City is 23.9°C to 30.9°C. Given the range of average temperature of Huzhou City, which is relatively moderate, even if there is a slight increase in the average global temperature, our production process would not be severely affected.

Save for the foregoing and up to the Latest Practicable Date, our Directors are not aware of any actual climate-related risks or damages that could negatively impact our businesses, strategies and financial performance.

Environmental and climate-related opportunities

Our Board is responsible for assessing and managing environmental and climate-related opportunities in the following respects:-

(i) *Energy source*: To enhance our production efficiency and achieve cost-saving, it is our policy to purchase and deploy energy saving machinery and explore a broader type of materials in carrying out the production of our products and to adopt water and waste management policies to curb or reduce emissions. For instance, we use LED lighting system in place of traditional lighting system in our Huzhou Production Plant. We also advocate the concept of green office and encourage our staff members to use electronic records to gradually replace paper-based records. For details of our measures to achieve environmental protection and cost saving, please see the paragraph headed "Our environmental, social and governance — Our environmental policies" in this section.

(ii) *Consumer preference:* Driven by increased global awareness of climate change, technological advances and health concerns, protecting environment has become a priority for consumers. According to the CIC Report, electrically powered laundry dryers are usually more energy-draining than televisions, refrigerators and washers. Our Directors believe that in light of collective global concern over the global environment, an increasing number of consumers will choose to purchase rotary drying racks, foldable/upright drying racks and other types of drying racks to replace their electric laundry dryers so as to reduce their energy use as in order to reduce the amount of toxic fumes and thereby conserving the earth's natural resources.

(iii) *Developing reusable products:* There has been a heightened level of awareness of the fact that overconsumption of resources is a leading contributor to climate change. With that in mind, many consumers prefer quality household necessity products that can be reused for a long period of time. We place great emphasis on the quality of our products and they must meet the stringent requirements of our customers and comply with the applicable safety and certification standards. As such, our Directors believe that the demand for our products, which are reusable and of good quality, will also increase. Our Directors believe that this shift to sustainable consumer habits will have a positive and long-term impact on our Group. In response to the opportunities presented, our Group will continue to develop and manufacture a wide range of drying racks and continue to manufacture long lasting quality products to fit the various needs of consumers.

Our environmental policies

Our environmental and climate-related risk assessment policy

To identify, assess and manage environmental and climate-related risks, we have adopted an assessment policy, details of which are as follows:

- we had engaged an Independent Third-Party inspection and assessment institution to identify and assess the level of compliance in respect of environmental protection covering emission of wastewater, noise control and air pollution control and climate changes in December 2018, December 2019 and October 2020. With the data set out in the inspection reports, our Directors note that the wastewater, noise and air pollutants incurred in the course of our production is within the range under the relevant laws and regulations in the PRC. In view of the importance of maintaining high standard of environmental protection compliance, going forward, we will continue to engage the inspection and assessment institution to identify and assess the environmental-related risks on a yearly basis;

- our administration department will keep a periodical record on the type of pollutants and the quantity of the pollutants to ensure that both of them are within the scope of relevant laws and regulation. If the quantity of our Group's pollutants emitted in the course of production in our Production Plant has exceeded the amount permitted under the relevant laws and regulations, this indicates that our environmental measures are not adequate;

- our administration department is also responsible for ensuring that the treatment plants for reducing pollutants in wastewater can properly function;

- our Discharge of Urban Sewage into the Drainage Network Permit* (城鎮污水排入排水管網許可證) is subject to renewal for every five years, depending on requirements set out by the Urban Management Bureau of Deqing County* (德清縣城市管理局) whereby the environmental-related risks shall have been identified and mitigated before we can apply for the renewal; and

- Upon the Listing, we will establish the ESG Management Committee, which will be led by Mr. Fang, our executive Director, to support our Board in formulating and implementing the ESG Policy and collecting ESG data for the purpose of preparing for the ESG report following the Listing. The ESG Management Committee will assist our Board to oversee and monitor the implementation of the ESG Policy and measures agreed by our Board and will report to the Board regularly. Our Board oversees the performance of our Group in achieving the ESG targets and objectives. The ESG

Management Committee will also investigate the reasons for any deviation from the targets and objectives and the Board will revise our ESG strategy as appropriate when significant variance from the target is identified.

Our environmental policies

Our Directors consider that the major environmental risks of our operations arise from (i) dangerous waste, (ii) waste water, (iii) noise and (iv) air pollution. To mitigate the major environmental risks of our operations and to ensure that our production processes are in full compliance with the applicable PRC environmental protection laws and regulations, we have put in place a set of environmental policy that targets to manage the environmental impact of our business operation as follows:

(a) We adopted a series of measures to minimise the risk of environment pollution associated with our production process. During the production process of our products, we generate noise, industrial dust, water and solid waste pollutants. Our production team is responsible for ensuring proper management of such pollutants. Set forth below are the major governance measures towards our major environmental related risks:

- *Dangerous waste treatment*. Our Group has engaged an external party for disposal of dangerous waste since 2017. As advised by our PRC Legal Advisers, such external party has obtained the relevant dangerous waste treatment permit and is a qualified company for dangerous waste treatment.

  Hazardous wastes generated from our Group's production processes, such as welding slag, plastic powder slag and hydraulic oil waste, are properly segregated, collected and centrally stored before it passed to the relevant party for disposal. Designated collection bins with clear labels are placed at specific areas for effective separation.

  Since obtaining more detailed information on the types and volume of hazardous and non-hazardous wastes requires time for extensive assessment and analysis, our Directors will provide such information in our environmental, social and governance report within specified time after Listing in compliance with the requirements under the Listing Rules and Appendix 27 thereto;

- *Waste water treatment*. Our Group uses treatment plants to reduce pollutants in the waste water generated during the production process before being discharged.

Some of our water pollutants generated from our production process are reused by us after it is processed in our sewage treatment plant before being discharged to the relevant treatment plant further processing. We also closely monitor and control the wastewater discharged from our sewage treatment plant in accordance with the "Integrated Wastewater Discharge Standard" (GB8978-1996) issued by the Ministry of Ecology and Environment;

- *Noise control*. Noise may be generated during the operation of the production equipment. We minimise our noise emission by purchasing production equipment that generates a lower level of noise and by constructing sound proofing walls to the factory building, installing sound proofed windows and doors. Our Group adopts soundproofing and vibration reduction measures to reduce the level of noise emitted from our machinery and equipment; and

- *Air pollution control*. Our Group uses dust screens and covers to lower the level of pollutant and other particles generated from the production process.

In October 2020, our Group engaged an Independent Third-Party inspection and assessment institution to assess and issue an inspection report on the level of compliance in respect of environmental protection covering emission of wastewater, noise control and air pollution control (the "**Environmental Compliance Report**").

With the data set out in the Environmental Compliance Report, our Directors note that the air pollutants incurred in the course of our Group's production was within the range specified under the relevant laws and regulations in the PRC. In view of the importance of maintaining high standard of environmental protection compliance, our Directors intend to engage the inspection and assessment institution to identify and assess the environmental-related risks on a yearly basis.

(b) It is the general aim of our policy to minimise the impact of our production process on the environment by efficient waste management and where possible, the use of renewable resources. We place importance on water consumption management and we recycle and reuse some of our industrial water for production; and

(c) We engaged an external inspection institution to assess our environmental impact management system. The external inspection institution reported that the gas, wastewater and noise emission levels generated by the Company meet relevant local and national standards in the PRC.

For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, the costs incurred by our Group for compliance with the relevant environmental protection laws and regulations were approximately RMB0.4 million, RMB0.4 million, RMB0.6 million and RMB0.2 million, respectively.

Emission targets

The emission targets of our Group include (i) 100% compliance rate on waste disposal, water discharge, air emission and noise generation; (ii) zero complaint; and (iii) zero chemical leakage. Our Group will continue to monitor emission of wastewater, noise control and air pollution control regularly and our administration department will continue to keep record of pollutant emissions.

During the Track Record Period, all hazardous and non-hazardous wastes of our Group were disposed of in accordance with the applicable rules and requirements. As advised by our PRC Legal Advisers, we have not been subject to any punishment as a result of any breach of the applicable environmental laws and regulations in the PRC and we have been in compliance with applicable environmental laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Our environmental protection performance

In pursuit of our social responsibility in environmental protection and sustainable development of our business operations, we adhere to various environmental protection initiatives, such as efficiency in the use of resources, emissions and water and energy consumption. The table below sets forth our environmental protection performance for the year ended 31 December 2020 and the four months ended 30 April 2021:

	For the year ended 31 December 2020	For the four months ended 30 April 2021	Permitted discharge levels based on the prevailing standards in PRC
Air pollutant and waste gas			
Sulfur dioxide intensity (mg/m^3)	Minimal	Minimal	≤200
Nitrogen oxides intensity (mg/m^3)	<26	<26	≤300
Wastewater			
Chemical oxygen demand (mg/L)	<75	<75	≤500
Water consumption			
Total water consumption (m^3)	70,733	15,407	N/A
Energy consumption			
Total energy consumption (kwh)	8.2 million	2.8 million	N/A

Our social policies

During the Track Record Period, our Group demonstrated our commitment to our corporate social responsibilities. We have put in place a set of social policies to promote health and safety of our employees. For details, please refer to the paragraph headed "Employees" in this section.

I. We have a policy of providing equal opportunities in employment and career development regardless of gender and age.

Diversity of workforce

The following sets out the total workforce by gender of our Group as at 30 April 2021:

	Number of employees	Percentage
Male	389	52%
Female	360	48%

The following sets out the total workforce by age group of our Group as at 30 April 2021:

	Number of employees	Percentage
Aged 30 or below	158	21.0%
Aged 31-40	242	32.3%
Aged 41-50	237	31.6%
Aged 51 or above	112	15.0%

II. We have strictly abided by the requirements of the Labour Law of the PRC (《中華人民共和國勞動法》).

It is our policy and we also require our suppliers to avoid any hiring of child or forced labour in our business operations and firmly insist on a zero tolerance approach to child or forced labour in any form. The human resources department of our Company is not allowed to hire child labour, who are aged under 16, and junior workers, who are aged between 16 and 18. Applicants are required to report their identity by providing their identity cards copy as a part of engagement procedures. Our Directors are of the view that through checking of identity card during the engagement process, the possibility of recruiting child labour is minimised.

During the Track Record Period and up to the Latest Practicable Date, our Directors were not aware of any non-compliance or threatened non-compliance with any laws or regulations relating to child or forced labour arising from or in the course of our operations in the PRC. If our Group is susceptible to threatened claims or allegations of any child or forced labour arising from our business operations, our human resources department will commence immediate investigation and report the matter to the local labour authority in the first instance.

III. We provided various functions of trainings to our employees on safe use of machinery and performing their work, such as induction training for new employees and on-the-job trainings.

The following sets out the number and percentage of employees trained by gender for the four months ended 30 April 2021:

	Number of trained employees	**Percentage of employees being trained**
Male	389	52%
Female	358	48%

The following sets out the number and percentage of employees trained at various work levels as at 30 April 2021:

	Number of trained employees	**Percentage of employees being trained**
Directors and Senior Management		
— Male	4	0.5%
— Female	1	0.1%
Middle Management		
— Male	13	1.8%
— Female	3	0.4%
General staff		
— Male	372	49.8%
— Female	354	47.4%

Our governance policies

Our Group strictly complies with the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》). We have established the conflict of interest declaration policy, which includes the definition of conflict of interest and reporting procedures and has been circulated to our employees for compliance. In addition, we required our Directors and senior management to complete a conflict of interest declaration form in a timely manner and to report to the relevant personnel immediately in the event of a conflict of interest. During the Track Record Period and up to the Latest Practicable Date, there was no legal proceedings regarding corrupt practices brought against us or any of our directors and employees.

OCCUPATIONAL HEALTH AND SAFETY

Our operations are subject to regulatory requirements imposed by the PRC government with regard to employees' health and safety. For details, please refer to the paragraphs headed "Regulatory overview — Laws and regulations relating to production safety" in this prospectus. We regard occupational health and safety as one of our important social responsibilities. We are committed to providing our employees with a safe and healthy working environment. In this connection, we have devised an occupational safety management system covering the entire production process of our products at our Huzhou Production Plant with which all of our employees are required to comply. We regularly inspect our Huzhou Production Plant in order to ensure that its facilities are safe for use. We also organise workplace safety training for our employees on a regular basis and arrange personnel to supervise different stages of our production process so as to promote workplace safety.

On the other hand, owing to the nature of our business, the production process of our products would inevitably create noise, industrial dusts, water and solid waste pollutants and other industrial chemicals which may affect the health of our workers if the production process is not conducted following our safety management system. We had engaged an external inspection and assessment institution to identify and assess the level of compliance in respect of our safety management system and our level of compliance of the relevant occupational health safety laws and regulations in September 2018 and based on the assessment report, we had passed all relevant assessments and save and except that we are reminded to ensure that our workers are required to wear anti-noise earplugs. We are accredited with OHSAS 18001 certification on our occupational health and safety management system in the production and design of our products.

In view of the spread of the COVID-19 in the PRC since December 2019, as part of our Group's risk management regarding the COVID-19 pandemic, in order to minimise the risk of contagion among our employees and to mitigate the adverse impact of the COVID-19 pandemic that may cause to our business and operations, we had implemented the following preventive measures to monitor the health conditions of our workers and maintain a hygienic working environment inside our Huzhou Production Plant:

— Ensuring that we have sufficient stock of personal protective equipment, hand sanitiser and disinfection products, etc.;

— Requiring all employees to wear surgical masks at all times in our Huzhou Production Plant;

— Requesting employees to avoid visiting areas with serious outbreak of COVID-19;

— Forbidding employees who have fever, cough, fatigue, trouble breathing or any respiratory disease symptoms from entering into our Huzhou Production Plant and requiring such employees to see doctors;

— Taking temperature of all employees and keeping a register of the temperature taken before they are allowed to enter into our Huzhou Production Plant and keep records on the attendance of our employees;

— Forbidding communal meals, social gathering and celebration events; and

— Carrying out disinfection work inside our Huzhou Production Plant daily.

During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any accidents or claims for personal or property damage that, individually or in aggregate, had a material effect on our Group's financial condition and results of operations. As confirmed by our PRC Legal Advisers, our Group had complied with the applicable national and local safety laws and regulations in all material respects during the Track Record Period, and the relevant PRC authorities had not imposed any material sanctions or penalty on us for incidents of non-compliance of any safety laws or regulations in the PRC. Going forward, we will continue to allocate adequate resources and efforts to uphold and improve our safety management in order to reduce the inherent risks related to safety issues.

RECOGNITIONS AND CERTIFICATIONS

As 31 December 2020, our Group had the following major certifications:

Certification/ accreditations	Current version	Issuing authority/institution	Year first obtained	Expiry date for current certificate
ISO14001	ISO14001:2015	China United Certification Center (Beijing) Co., Ltd.	2015	17 January 2024
OHSAS18001/ ISO45001	ISO45001:2018	China United Certification Center (Beijing) Co., Ltd.	2015	17 January 2024
ISO9001	ISO9001:2015	China United Certification Center (Beijing) Co., Ltd.	2015	17 January 2024

Recognition	Issuing authority/institution	Year obtained
Advanced Enterprise in Foreign Economic and Technological Cooperation* (對外經濟技術合作先進企業)	Deqing County People's Government* (德清縣人民政府)	2011
Advanced Export Enterprise of Autonomous Operation* (自營出口先進企業)	Deqing County People's Government* (德清縣人民政府)	2012
Advanced Import and Export Enterprise of Autonomous Operation* (自營進出口先進企業)	Deqing County People's Government* (德清縣人民政府)	2013
Key Enterprise in Huzhou* (湖州市重點骨幹企業)	Huzhou Municipal People's Government* (湖州市人民政府)	2013
Economic Development Step Up Award* (經濟發展上台階獎)	Zhejiang Deqing Economic Development Zone (High and New Zone) Administrative Committee* (浙江德清經濟開發區(高新區)管理委員會)	2016
Representative Enterprise in Deqing County* (德清縣示範企業工會)	Deqing County Federation of Trade Union* (德清縣總工會)	2017

PROPERTIES

Owned properties

The following table summarises the information regarding our owned property in the PRC.

Location	Description and tenure	Total site floor area and gross floor area	Usage by our Group	Land use right expiry date
No. 378 Guangming Street, Fuxi Road, Deqing County, Huzhou City, Zhejiang Province, PRC* (中國浙江省湖州市德清縣阜溪街道光明街378號)	The property comprises two parcels of land with various buildings and structures completed between 2010 and 2019 erected thereon. *(Notes 1 and 2)* The property mainly includes workshops, warehouses and dormitory.	A total site area of approximately 55,621.47 sq.m. and a total gross floor area of 58,441.03 sq.m. *(Notes 1 and 2)*	Huzhou Production Plant	One parcel of land will expire on 6 May 2059 and the other on 14 October 2059

Notes:

1. Pursuant to a Real Estate Title Certificate – Zhe (2018) Deqing County Real Estate Title No. 0012570* (浙(2018)德清縣不動產權第0012570號不動產權證) dated 16 July 2018, a parcel of land use rights of the property with a total site area of approximately 15,654.84 sq.m and the buildings with a total gross floor area of approximately 12,785.60 sq.m. have been granted to the Company for industrial use for a term expiring on 14 October 2059.

2. Pursuant to a Real Estate Title Certificate – Zhe (2019) Deqing County Real Estate Title No. 0014222* (浙(2019)德清縣不動產權第0014222號不動產權證) dated 8 August 2019, a parcel of land use rights of the property with a total site area of approximately 39,966.63 sq.m and the buildings with a total gross floor area of approximately 45,655.43 sq.m. have been granted to the Company for industrial use for a term expiring on 6 May 2059.

As advised by our PRC Legal Advisers, as at the Latest Practicable Date, we had obtained the relevant certificates and permits necessary for, and legally owned, the properties as mentioned above.

Leased properties

Details of the property we leased as at the Latest Practicable Date are set out as follows:

Address of the property	Landlord	Use of property	Key terms of the lease agreement
Ground Floor, Nicholson House, Whitchurch Business Park, Shakespeare Way, Whitchurch, Shropshire, the United Kingdom	Independent Third Party	Office	One year commencing on 14 December 2018 (which is renewable each year)

Address of the property	Landlord	Use of property	Key terms of the lease agreement
Factory no. 4, No. 292 Chang'an Street, Deqing County, Huzhou City, Zhejiang Province, PRC* (中國浙江省湖州市德清縣長安街292號廠區內4號廠房)	Independent Third Party	Warehouse	Six months commencing on 1 December 2020 (which is renewable by notice)

Our property rentals and related expenses in relation to the property leased by us were approximately RMB3,750, RMB90,000, RMB182,000 and RMB297,000, respectively, for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, respectively.

INSURANCE

Our Group currently maintains social security insurance for our employees and property insurance for our Huzhou Production Plant. Our Directors confirm that our Group's insurance coverage is adequate for our operations and is in line with industry practice. We also maintain insurance for trade receivables, to secure our financial status in case of bad debts.

For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, our total insurance expenses amounted to approximately RMB1.2 million, RMB1.0 million, RMB1.3 million and RMB0.7 million, respectively. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had not made, or been the subject of, any material insurance claim or product liability claims.

INTELLECTUAL PROPERTY

Our know-how in the production and assembling process is important to our success. We have registered certain trademarks, patents, copyright and domain names. For details, please refer to the paragraphs headed "B. Further information about our business — 2. Intellectual property rights" in Appendix V to this prospectus.

Measures for protection of intellectual property

We have placed a great emphasis in protecting our customers' intellectual property and our own intellectual property. During our product development process, our product design and development team will conduct online search of intellectual property to ensure that the proposed product design would not infringe any design and patents of our customers' products. After the completion of the product development, our product design and development team will, if necessary, apply for a patent for our own products. In addition, our Group requires our employees to undertake confidentiality obligations in respect of our product design and development, including the materials used.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our own-brand products did not infringe the design and patents of our customers' products.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had not engaged in or been threatened with any claim for infringement of any intellectual property rights which would have a material financial and operational impact on us, either as claimant or as respondent.

LICENCES, APPROVALS AND PERMITS

As at the Latest Practicable Date, our PRC Legal Advisers confirmed that our PRC subsidiary had obtained the requisite governmental licences, permits and certifications and renewal which are necessary for its respective operations, details of which are as below:

Name of licence/approval/permit	Granting authority	Date of first grant	Date of last grant	Expiry date
Zhejiang Pollution Discharge Permit* (浙江省排污許可證)	Environmental Protection Bureau of Deqing County* (德清縣環境保護局)	28 November 2012	28 November 2012	27 November 2017 (Note 1)
Stationary pollutant sources discharge registration receipt* (固定污染源排污登記回執)	Huzhou City Ecology and Environment Bureau, Deqing Branch* (湖州市生態環境局德清分局)	8 April 2020	8 July 2020	7 July 2025
Urban Drainage Permit* (城市排水許可證)	Housing and Urban-rural Development Bureau of Deqing County* (德清縣住房和城鄉建設局)	11 May 2015	11 May 2015	10 May 2020 (Note 2)
Discharge of Urban Sewage into the Drainage Network Permit* (城鎮污水排入排水管網許可證) (Note 2)	Urban Management Bureau of Deqing County* (德清縣城市管理局)	8 May 2020	8 May 2020	7 May 2025
Food Operation Permit* (食品經營許可證)	Deqing County Market Supervision Administration* (德清縣市場監督管理局)	26 January 2012	26 January 2018	25 January 2023
Form of Archival Filing and Registration of Foreign Trade Business Operators* (對外貿易經營者備案登記表)	Deqing County Bureau of Commerce* (德清縣商務局)	20 July 2010	15 December 2017	No expiry date

Name of licence/approval/permit	Granting authority	Date of first grant	Date of last grant	Expiry date
PRC Customs Declaration Unit Registration Certificate* (中華人民共和國海關報關單位註冊登記證書)	Huzhou Customs of the PRC* (中華人民共和國湖州海關)	31 December 2008	26 January 2016	No expiry date

Notes:

1. Based on the Classification Administration Catalog of Discharge Permits of Stationary Pollution Sources (2019 Version)* (固定污染源排污許可分類管理名錄(2019年版)) (the "**Classification Administration List 2019**"), all manufacturing companies will be reclassified and re-registered according to the amounts of pollutant emission and some companies with low pollutant emission will be exempted from the requirement of obtaining pollutant discharge permit. As confirmed by our PRC Legal Advisers, our Group is exempted from the requirement of obtaining pollutant discharge permit. For further details, please refer to "Environmental Protection — Pollutant discharge permit" in this section.

2. The Urban Drainage Permit* (城市排水許可證) issued by the Housing and Urban-rural Development Bureau of Deqing County* (德清縣住房和城鄉建設局) has expired on 10 May 2020. As confirmed by our PRC Legal Advisers, as the Administrative Measures for Urban Drainage Permit* (城市排水許可管理辦法) have been replaced by the Administrative Measures for the Discharge of Urban Sewage into the Drainage Network Permit* (城鎮污水排入排水管網許可管理辦法) in 2015, companies are required to obtain the Discharge of Urban Sewage into the Drainage Network Permit* (城鎮污水排入排水管網許可證) to replace the Urban Drainage Permit upon its expiry.

LEGAL AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, save as disclosed below under this paragraph, our Group did not experience any material non-compliance, which, in the opinion of our Directors, will have any material operational or financial impact on our operations. Having considered the facts and circumstances leading to the non-compliance incidents as disclosed below, our Group's internal control measures to avoid recurrence of the non-compliance incident, and the preventive measures mentioned below, our Directors and the Sole Sponsor are of the view that we now have adequate and effective internal control procedures in place in accordance with the requirements under the Listing Rules, and the past non-compliance incidents will not affect the suitability of the Directors to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules. As at the Latest Practicable Date, we had been in compliance with the applicable PRC laws and regulations relating to our business operations in all material respects.

Name of the entity involved	Particulars of the non-compliance incident	Legal consequences including potential maximum penalty and the other financial liabilities	Remedial actions
BHP Zhejiang	Pursuant to the Interim Provisions on Labour Dispatch* (《勞務派遣暫行規定》) which came into effect on 1 March 2014, "if the number of despatched staff utilised by an employer exceeds 10% of the total number of its workers prior to the effective date of these Provisions, such employer shall develop a scheme for employment adjustments to reduce the proportion to the specified level within 2 years from the effective date of these Provisions. For the years ended 31 December 2018, the average number of despatched staff per month under arrangement was about 130, accounted for approximately 18.1% of our total number of staff at the corresponding date, which exceed the regulatory threshold of 10% and constituted a non-compliance incident of the Interim Provisions on Labour Dispatch* (《勞務派遣暫行規定》). As confirmed by our Directors, the non-compliance incidents were primarily due to inadequate legal knowledge and/or inadvertent oversight of the relevant legal requirements.	According to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), if an employer violates any provision of this Law on labour despatch, it may be ordered by the labour administrative department to make rectification within a prescribed time limit, failing which the employer will be subject to a fine from RMB5,000 to RMB10,000 per employee exceeding the 10% statutory threshold. We obtained confirmations from the Deqing County Human Resources and Social Security Bureau* (德清縣人力資源和社會保障局) (the "**Bureau**") dated 31 December 2020 and 20 July 2021, whereby the relevant officials confirmed that no administrative penalty had been imposed against BHP Zhejiang for any non-compliance matters. Based on the above confirmations and the fact that we had taken rectification actions, our PRC Legal Advisers are of the view that our Group will not be subject to any fines or penalties in relation to our engagement of dispatched workers. Our PRC Legal Advisers confirmed that the Bureau is a competent authority to certify the compliance of BHP Zhejiang pursuant to relevant PRC laws and regulations. The labour dispatch arrangement has continued after April 2019 and at the Latest Practicable Date, the current number of despatched workers hired by BHP Zhejiang does not exceed the 10% statutory threshold.	Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, BHP Zhejiang has not received any notice of rectification from the labour administrative departments, and it has obtained the certificates issued by relevant competent department in charge of labour affairs, proving that BHP Zhejiang has not been penalised for violation of labour laws and regulations during the Track Record Period and has completed the rectification for such non-compliance. In light of the above confirmation, and the fact that BHP Zhejiang has taken all rectification actions to rectify this non-compliance in full without receiving any notice of rectification from the labour administrative department in the PRC, our PRC Legal Advisers opined that the risk that BHP Zhejiang be penalised by labour administrative department is rather remote. To rectify the situation, we had reduced the number of despatched staff engaged by us below the regulatory threshold since April 2019. As confirmed by our PRC Legal Advisers, since our Group had completed the remedial actions before any notification or administrative punishments issued by the Bureau, the risk of further punishments or potential penalty to our Group is rather remote. After April 2019, our Group continues to adopt the labour dispatch arrangement and the number of despatched workers engaged by BHP Zhejiang has been reduced to below the threshold of 10%, as at the Latest Practicable Date. Our Group has adopted internal policies to require our human resources department to calculate the ratio of despatched staff to total number of workers on a monthly basis. Such ratio shall be reviewed by the head of the human resources department to ensure compliance with the relevant regulatory requirements in the PRC of despatched staff. Pursuant to the Deed of Indemnity, our Controlling Shareholders have agreed to indemnify our Group for any loss resulting from the despatched staff non-compliance.

Name of the entity involved	Particulars of the non-compliance incident	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
BHP Zhejiang	During the Track Record Period, BHP Zhejiang failed to make full social insurance and housing provident fund contributions for its employees as required by relevant PRC laws and regulations. Our Directors confirm that, the aggregate underpaid social insurance and housing provident funds for the years ended 31 December 2018 and 2019 amounted to approximately RMB0.3 million and RMB0.2 million, respectively, with respect to social insurance payments, and approximately RMB3.1 million and RMB0.3 million, respectively, with respect to housing provident fund contributions. To the best knowledge of our Directors, the non-compliance incidents were primarily due to inconsistent implementation or interpretation of the relevant regulations by local authorities in the PRC.	According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and other relevant regulations, the relevant government authority may require the company to make up the outstanding contribution with an additional late payment fee at a daily rate of 0.05% of the outstanding contribution from the due date within a given period, and if the company fails to do so, may impose a fine on the company ranging from one to three times of the total amount of the outstanding contribution. We obtained confirmation letters from the Social Insurance Fund Management Centre of Deqing County* (德清縣社會保險管理服務中心) dated 31 December 2020 and 30 June 2021, which is a competent authority, confirming that during the Track Record Period, given BHP Zhejiang is a key enterprise in the county, pursuant to "Memorandum of Understanding Related to the Key Enterprises' Report and Payment of Social Insurance Contribution"* (《關於縣行業龍頭骨幹企業社保費申報繳納有關事宜的會議備忘錄》"), it is allowed to calculate the social insurance contribution based on a discount rate of the actual salary of the employee and BHP Zhejiang had not been subject to any penalty with respect to its payment of social insurance contribution and labour related laws and regulations. As advised by our PRC Legal Advisers, pursuant to the Regulation of the Labour Protection Monitoring* (《勞動保障監察條例》), any non-compliance with labour protection laws and regulations will not be investigated if it is not discovered or reported within two years from the date when such breach is committed or if such breach is a continuing breach, the date of cessation of such breach. Also, part of the outstanding social insurance contribution involved some of our ex-employees whose employment with us have been terminated for more than two years. As advised by our PRC legal Advisers, if no complaint was filed by such ex-employees with the Social Insurance Fund Management Centre of Deqing County* (德清縣社會保險管理服務中心) within two years after the termination of their employment, the risk of the Social Insurance Fund Management Centre of Deqing County* (德清縣社會保險管理服務中心) demanding payment of the outstanding social insurance contribution for such ex-employees is relatively remote. Hence, after excluding the outstanding social insurance contribution in relation to such ex-employees, we estimate that our maximum penalty exposure for the non-compliance is a fine of approximately RMB1.1 million as at the Latest Practicable Date. According to the Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》), if a company fails to pay or does not contribute to the housing provident fund within the prescribed time period, the relevant government authority may order it to make up the outstanding contributions within the prescribed time limit, and failing which, the relevant authority may apply for compulsory enforcement by the People's Court. If the employer fails to complete the registration formalities within the prescribed time limit, it will be subject to a fine from RMB10,000 to RMB50,000.	During the Track Record Period and up to the Latest Practicable Date, we had not received any orders or demands from the relevant government authorities requesting us to pay the shortfall in social insurance or housing provident fund contributions or any penalties and there had been no complaints from our Group's employees regarding the non-compliance of social insurance and housing provident fund contributions. We have obtained a written confirmation from the Social Insurance Fund Management Centre of Deqing County* (德清縣社會保險管理服務中心), which is a competent authority, dated 31 December 2020 confirming that (i) it would not initiate any request for payment of the outstanding balance; (ii) it would not administer any penalties in relation to the above non-compliance; and (iii) BHP Zhejiang has not been subject to any litigations, investigations, claims, arbitrations or disputes in relation to the above non-compliance and there has not been any circumstances leading to such litigations, investigations, claims, arbitrations or disputes. Our Directors confirm that, since September 2019, BHP Zhejiang has paid social insurance premiums in full for all its employees in accordance with the applicable PRC laws and regulations. We have obtained a written confirmation from the Huzhou City Housing and Provident Fund Management Centre, Deqing County Branch* (湖州市住房公積金管理中心德清縣分中心), which is a competent authority, dated 31 December 2020 confirming that (i) it would not initiate any request for payment of the outstanding balance; (ii) it would not administer any penalties in relation to the above non-compliance; (iii) BHP Zhejiang has not been subject to any investigations, claims or penalties in relation to the above non-compliance and there has not been any circumstances leading to such investigations, claims or penalties; and (iv) since July 2019, BHP Zhejiang has paid housing provident fund in full for all its employees in accordance with the applicable PRC laws and regulations. Based on the written confirmations, our PRC Legal Advisers are of the view that the risk of BHP Zhejiang being punished or claimed for paying is remote. In the meanwhile, as the supervising body has issued a written confirmation that it would not do any administration punishment or claim for any further paying to us, and our controlling shareholders have agreed to indemnify our Group for any loss resulting from the social insurance non-compliance, our Directors are of the view that no provision is necessary in respect of the social insurance and housing provident fund contributions.

Name of the entity involved	Particulars of the non-compliance incident	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
			In order to prevent future potential non-compliance incidents in relation to social insurance and housing provident fund contributions and procedures and strengthen our internal control specifying that: (i) the registration and account opening for social insurance and housing provident fund contributions of all employees will be completed within the prescribed time limit; (ii) training will be provided to the relevant personnel of our human resources department on the social insurance and housing provident fund contributions requirements under the relevant PRC laws and regulations; and (iii) Mr. Zhu, the executive Director and the chairman of the Board, will regularly review policies and procedures in relation to the social insurance and housing provident fund contributions to ensure compliance with the regulatory requirements and the personnel of our human resources department with relevant knowledge and expertise will be responsible for the calculation of social insurance and housing provident fund contributions. Pursuant to the Deed of Indemnity, our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses, and losses incurred by us arising from such non-compliance incidents that exceed our provisions for the under paid amount of social insurance contributions and housing provident fund contributions.

Name of the entity involved	Particulars of the non-compliance incident	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
BHP Zhejiang	On 18 September 2008, BHP Zhejiang was established under the laws of PRC as a wholly foreign-owned enterprise. Since the establishment of BHP Zhejiang, Grand Resources, which is a company incorporated under the laws of Hong Kong, has been its sole equity holder. In 2009, BHP Zhejiang obtained its Foreign Exchange Registration Certificate* (外匯登記證) in accordance with the then applicable rule and regulations in the PRC. On 14 July 2014, the SAFE introduced new requirements relating to foreign exchange by issuing the Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles*《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(the "**Circular No. 37**"), which superseded the previous Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents Engaging in Overseas Financing through Round-Trip Investment via Special Purpose Companies*(《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》). Pursuant to the Circular No. 37, among others, (i) before a PRC resident contributes its legally-owned onshore or offshore assets and equity into an overseas special purpose vehicle (the "**SPV**"), the PRC resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE;	On 21 June 2019, the SAFE (Deqing county branch)* (國家外匯管理局德清縣支局) (the "**SAFE (Deqing)**") issued a Decision on Administrative Penalty*(《行政處罰決定書》) (the "**Decision**") to BHP Zhejiang, which stated that the Transfer of Funds constitute evasion of foreign exchange through transfer of domestic funds abroad in violation of the relevant regulations. Accordingly, pursuant to Section 39 of the Regulations of the People's Republic of China on Foreign Exchange Administration*(《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Regulations**"), BHP Zhejiang was ordered to repatriate all of the Funds back to the PRC and was fined in the amount of RMB1,575,000 (the "**Administrative Fine"**). To clarify certain matters in relation to the Decision, on 8 August 2019, the PRC Legal Advisers, the Sole Sponsor and the legal advisers to the Sole Sponsor as to PRC law conducted an interview with the chief and deputy chief of foreign exchange* (外匯股股長及副股長) of the SAFE (Deqing), who were responsible for handling daily foreign exchange management. During the interview, the chief and deputy chief of foreign exchange confirmed that: (i) the Transfers of Funds constituted evasion of foreign exchange through transfer of domestic funds abroad in violation of the relevant regulation, which is a non-compliance of general nature; (ii) the content of the Voluntary Submission is true; (iii) according to the Decision, there is no time limit for the repatriation of the Funds, and the obligation of BHP Zhejiang to repatriate the Funds shall be considered as fulfilled upon the repatriation of all of the Funds back to the PRC; and (iv) according to the Decision, save for the repatriation of the Funds and payment of the Administrative Fine, no other administrative would have been imposed on BHP Zhejiang for the Transfer of Funds. As confirmed by the PRC Legal Advisers, the chief and deputy chief of foreign exchange are the competent persons to represent SAFE (Deqing), which is a competent authority, in attending the interview.	After realising our Group might have violated Circular No.37, our Group made the Voluntary Submission to the SAFE (Deqing), and cooperated with the ensuing enquiry conducted by the SAFE (Deqing), including but not limited to responding to queries raised by the SAFE (Deqing) and providing the SAFE (Deqing) with materials and documents relating to the Transfer of Funds. Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang have duly completed the foreign exchange registration of domestic residents in June 2019, and BHP Zhejiang has completed updating its foreign exchange registration in August 2019. As confirmed by the PRC Legal Advisers, all of Mr. Zhu, Mr. Fang, Mr. Mao, Mr. Zhang and BHP Zhejiang have duly completed all necessary foreign exchange registrations under Circular No. 37. As such, BHP Zhejiang can transfer funds into and out of the PRC in accordance with the relevant laws and regulations of the PRC. As at the Latest Practicable Date, BHP Zhejiang had settled all of the Administrative Fine and, through Grand Resources, repatriated all of the Funds back to the PRC. The sources of fund for such repatriation came from the financial resources of the Controlling Shareholders and the internal resources of our Group. As advised by the PRC Legal Advisers: (i) based on the interview conducted with representatives of the SAFE (Deqing), the non-compliance of BHP Zhejiang was of general nature, and not of serious nature; (ii) the sum of Administrative Fine, which amounted to 5% of the total Funds transferred and is significantly below the penalty stipulated under Section 39 of the Foreign Exchange Regulations for non-compliance of serious nature (being 30% to 100% of the total funds transferred), also indicated that the SAFE (Deqing) determined that the non-compliance of BHP Zhejiang was not of serious nature; (iii) based on the interview conducted with representatives of the SAFE (Deqing), while the non-compliance of BHP Zhejiang constituted evasion of foreign exchange in violation of the relevant regulations, it does not constitute evasion of foreign exchange in a deceitful manner under Section 39 of the Foreign Exchange Regulations;

Name of the entity involved	Particulars of the non-compliance incident	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
	(ii) any PRC resident who already contributed his legally-owned onshore or offshore assets and equity into an overseas SPV prior to the issuance of Circular No. 37 shall conduct foreign exchange registration with the local branch of the SAFE; (iii) any subsidiary of the SPV which was established in the PRC prior to the issuance of Circular No. 37 shall update its foreign exchange registration with the relevant authorities by providing the particulars of its ultimate beneficial owners; and (iv) prior to completion of the abovementioned registrations, any subsidiary of the SPV which was established in the PRC shall not transfer any fund or make any dividend payment to the SPV. On 11 May 2016, 12 April 2017 and 10 August 2018, BHP Zhejiang transferred RMB9.0 million, RMB9.0 million and RMB13.5 million (the "**Funds**") to Grand Resources as dividend payment, respectively (the "**Transfer of Funds**"). Such Transfer of Funds was conducted through legal channels and BHP Zhejiang had paid EIT and withholding tax on behalf of Grand Resources in accordance with the relevant laws and regulations of the PRC.		(iv) the possibility of imposing further administrative penalty in respect of the Transfer of Funds on BHP Zhejiang and/or its directors by the relevant authorities in the PRC is remote; and (v) the Transfer of Funds would not have any material impact on our Group's business. After considering the opinion of the PRC Legal Advisers and the facts and circumstances leading to the non-compliance with Circular No. 37, and on the basis that such non-compliance: (i) was not of serious nature and does not constitute evasion of foreign exchange in a deceitful manner under Section 39 of the Foreign Exchange Regulations; (ii) would not have any material impact on our Group's business; (iii) was not intentional or willful; (iv) was due to unfamiliarity of the relevant requirement by Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang; (v) did not involve any deceit, dishonesty or fraud on the part of Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, our Directors or senior management, as evidenced by, among others, BHP Zhejiang conducting the Transfer of Funds through legal channels and paying the EIT and withholding tax on behalf of Grand Resources in accordance with the relevant laws and regulations of the PRC; and (vi) Mr. Zhu, Mr. Fang, Mr. Mao, Mr. Zhang and our Group have taken the abovementioned rectification actions; our Directors are of the view, and the Sole Sponsor concurs, that the non-compliance does not have any material adverse impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of the Company under Rule 8.04 of the Listing Rules.

Name of the entity involved	Particulars of the non-compliance incident	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
	In early 2019, in contemplation of the Listing, the PRC Legal Advisers conducted legal due diligence on our Group and advised us that the Transfer of Funds might have violated Circular No. 37. As such, on 6 May 2019, our Group made a voluntary submission (the "**Voluntary Submission**") to the SAFE (Deqing), notifying the SAFE (Deqing) of the Transfer of Funds, as well as explaining that due to unfamiliarity with the relevant requirements relating to foreign exchange, (i) Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, who are the ultimate beneficial owners of BHP Zhejiang, failed to complete their foreign exchange registrations in time and (ii) BHP Zhejiang went through the foreign exchange remittance procedures for the Transfer of Funds with its original foreign exchange registration. As confirmed by Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, as BHP Zhejiang has already obtained its Foreign Exchange Registration Certificate in accordance with the then applicable rule and regulations in the PRC in 2009, they were not aware that the new requirements under Circular No. 37 implemented in July 2014 were applicable to themselves and BHP Zhejiang, retrospectively. As such, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang failed to complete their foreign exchange registrations or update the original foreign exchange registrations of BHP Zhejiang prior to the Transfer of Funds.		

Name of the entity involved	Particulars of the non-compliance incident	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
BHP Housewares	For the years 2016/2017 and 2017/2018, BHP Housewares failed to notify the Hong Kong Inland Revenue Department (the "**IRD**") of BHP Housewares' chargeability to tax and did not file tax returns to the IRD within the prescribed time limit, which, as advised by the Legal Counsel, constituted a breach of Section 51(2) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**"). In around mid-2019, in contemplation of the Listing, our administrative and finance department conducted a review of our tax filing records, and discovered that for the years 2016/2017 and 2017/2018, BHP Housewares failed to notify the IRD of its chargeability to tax and did not file tax returns. Such non-compliance was not willful and was due to inadvertent oversight of the staff of our Group responsible for supervising tax matters. Our Directors had no direct or willful involvement in such non-compliance.	Pursuant to Section 80(2)(e) of the IRO, BHP Housewares shall be liable to a maximum principal fine of HK$10,000 and a further fine not exceeding 300% of tax undercharged or would have been charged. As advised by the Legal Counsel, since (i) the non-compliance was attributable to oversight and was not done with a deliberate intent; and (ii) BHP Houseware has already filed the relevant tax returns, received the tax assessments and paid the relevant tax demands, the gravity of such kind of non-compliance is very minor and it is not the usual practice of the IRD to proceed with prosecution against the shareholders, directors and/or staff of BHP Housewares.	On 11 September 2019, our Group submitted to the IRD the audited financial statements and the related tax computations of BHP Housewares and requested the IRD to issue the relevant tax returns. On 8 November 2019, the IRD issued tax returns to BHP Housewares for the years 2016/2017 and 2017/2018. The tax returns were then filed by our Group on 5 December 2019. The tax assessments for the years 2016/2017 and 2017/2018 were issued by the IRD on 4 March 2020 and 13 January 2020, respectively. BHP Housewares settled the tax payments of approximately HK$2.2 million and HK$2.3 million on 14 April 2020 and 19 February 2020, respectively, before the respective due dates as stated in the tax assessments. BHP Housewares has informed the IRD of its chargeability to tax for the year 2018/2019 within the prescribed time limit under Section 51(2) of the IRO. We have obtained a written confirmation from the IRD, which is a competent authority, dated 12 June 2020, confirming that the IRD has reviewed its records and found that there was no non-compliance record of BHP Housewares as at the date of the confirmation. After considering the opinion of the Legal Counsel, the written confirmation from the IRD and the facts and circumstances leading to the non-compliance with the IRO, and on the basis that such non-compliance: (i) was of very minor nature; (ii) was not intentional or willful; (iii) was due to inadvertent oversight of the staff of our Group responsible for supervising tax matters; (iv) our Directors had no direct or willful involvement in the breach; and (v) our Group has taken the abovementioned rectification actions; our Directors are of the view, and the Sole Sponsor concurs, that the non-compliance does not have any material negative implication on the integrity and competency of our Directors and does not affect their suitability to act as our Directors.

Name of the entity involved	Particulars of the non-compliance incident	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
			In order to prevent recurrence of such non-compliance incidents: (i) we have appointed Mr. Leung Man Hang, one of our joint company secretaries, to perform ongoing review on our overall tax position and handle tax related matters including the preparation of tax returns of our Hong Kong subsidiaries on 23 April 2020. Mr. Leung Man Hang has over nine years of experience in audit and accounting and is a member of The Hong Kong Institute of Certified Public Accountants. For details of the experience and qualifications of Mr. Leung Man Hang, please refer to the section headed "Directors and Senior Management — Joint Company Secretaries" in this prospectus; (ii) we have established recruitment guidelines on 23 April 2020 to ensure that our administration and finance department is equipped with personnel having sufficient experience and knowledge on tax issue and tax filing, to facilitate the efficiency of the handling of tax computation and tax return; (iii) our administration and finance department has adopted a set of guidelines strengthening the control of tax filing related matters on 23 April 2020 to monitor and review the tax returns, tax computations and related tax filings in order to ensure the completeness of tax filing process and that the tax payable is settled in a timely manner upon receipt of tax assessment and payment notice; (iv) we have adopted an internal training programme on 23 April 2020 such that training will be provided to the relevant personnel of our administration and finance department on taxation requirements under the relevant Hong Kong laws and regulations on a regular basis; and (v) our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations.

Litigations

Our PRC Legal Advisers confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no foreseeable or pending legal proceedings or arbitration. Our Directors have confirmed that, during the Track Record Period and as at the Latest Practicable Date, there was no legal proceedings or claim pending or threatened against us or our Directors that could, individually or in aggregate, have a material adverse effect on our business, financial condition or results of operations.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered the Deed of Indemnity to indemnify our Group subject to the terms and conditions of the Deed of Indemnity, in respect of, among others, all claims and liabilities to which our Group may be subject to in respect of any disputes, arbitrations or legal proceedings occurring on or before the Listing Date (which includes any loss resulting from the despatch staff non-compliance, any loss resulting from the social insurance and housing provident fund non-compliance). Further details of the Deed of Indemnity are set out in the paragraphs headed "D. Other information — 1. Estate duty, tax and other indemnities — Deed of Indemnity" in Appendix V to this prospectus. Based on the above, our PRC Legal Advisers take the view that (i) our PRC subsidiary has fulfilled all local regulatory requirements for payment of social insurance contributions; and (ii) the probability of our PRC subsidiary to compensate or to pay any penalty or late payment for their failure to pay social insurance contributions to their employees in full is very low. Our Directors take the view that there is no material adverse impact on our financial condition or business operation as a result of the non-compliant incidents set out in this section.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, apart from those disclosed in this section, we had complied in all material respects all applicable laws and regulations and there was no non-compliance incident the nature of which is material or systemic.

INTERNAL CONTROL

Our Directors take the view that internal control is crucial to our business development and success. To streamline our current internal control procedure, we engaged an independent internal control consultant (the "**Internal Control Consultant**") in July 2019 to review the adequacy and effectiveness of our internal control procedures, systems and controls. The Internal Control Consultant provided recommendations for our management's consideration to enhance our internal controls and procedures.

The Internal Control Consultant has identified the following key findings and our Group has taken the following remedial actions based upon the Internal Control Consultant's recommendations:

Key findings	Corresponding measures
We have not set up Board committees and appointed company secretary as required under the Listing Rules.	We should set up the audit committee, remuneration committee and nomination committee and appoint company secretary to ensure compliance with the Listing Rules before Listing.
We have not established an internal audit function.	We should appoint an Independent Third Party to perform annual review of the risk management and internal control system of our Group and report directly to our audit committee.
We have no insurance coverage in respect of legal proceedings against our Directors.	We should arrange appropriate insurance coverage on our Directors' liabilities in respect of legal proceedings against our Directors arising out of corporate activities upon the Listing.

The Internal Control Consultant conducted a follow-up review in March 2020 and to assess whether we have implemented the internal control measures recommended by the Internal Control Consultant and whether the deficiencies identified in the review have been rectified. Based on the result of this follow-up review, save for the setting up of our Board committees, appointment of an internal control consultant to perform annual review of the risk management and internal control system of our Group and the arrangement for insurance coverage on our Directors' liabilities which will be done upon or shortly after Listing, we demonstrated that we have implemented all major internal control measures recommended. No material deficiencies were identified during the internal control review.

Internal control measures to improve corporate governance

Our Directors recognise the importance of up-keeping adequate internal control and risk management systems. In order to continuously improve our Group's corporate governance, our Group has implemented and will implement, among others, the following measures:

- Our Group will engage a PRC legal adviser to provide legal services to it in relation to future compliance with the PRC laws and regulations in all respects;

- Our Group has arranged for our Directors and senior management to attend a training programme on the relevant applicable laws and regulations, including the Listing Rules, provided by our Company's Hong Kong legal advisers prior to the Listing. Our Group will continue to arrange various training programmes on an annual basis to be provided by its legal advisers in Hong Kong and the PRC and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations. In addition, specific training programme(s) in relation to updates on relevant applicable laws and regulations will also be held when necessary;

- Our Group will provide trainings for our employees on compliance matters in order to develop a corporate culture and to enhance their compliance perception and responsibility and to enhance their knowledge to manage our operation risks;

- We have established and adopted various mechanisms and procedures for compliance with the requirements under the Listing Rules, including connected transactions, notifiable transactions and disclosure of inside information. Our Company has appointed Giraffe Capital Limited as our compliance adviser to advise on regulatory compliance with the Listing Rules;

- When necessary, we will engage external professional, including auditors, internal control consultant, and external legal advisers to render professional advice as to compliance with statutory and regulatory requirements, as applicable to our Group from time to time;

- Our Group has established and adopted an internal control mechanism to manage and govern the corporate governance and procedures, codes of conduct, conflict of interest matters to enhance our internal compliance system and monitor proper conduct of our business;

- Our Group will maintain and regularly update a list of related and connected parties in order to identify and monitor related parties and/or connected transactions so that we can make timely disclosures when necessary;

- We have established an audit committee which will implement formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts. It will also periodically review our compliance status with the Hong Kong laws after the Listing. The audit committee will exercise its oversight by:

  (i) reviewing our internal control and legal compliance;

  (ii) discussing the internal control systems with the management of our Group to ensure that the management has performed its duty to have an effective internal control system; and

  (iii) considering the major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;

Based on the above, our Directors are of the view that the above internal control measures could adequately and effectively ensure that our Group has implemented a proper internal control system and maintained good corporate governance practice.

Foreign exchange forward contracts and foreign exchange risk management measures

The vast majority of our sales are denominated in US dollars and our purchases and labour costs are predominantly denominated in RMB and as such, we are subject to foreign exchange risks. During the Track Record Period, we have also entered into forward exchange forward contracts with banks. For details, please refer to the section headed "Financial information — Discussion on selected balance sheet items — Derivative Financial Instruments" in this prospectus and note 20.2 to the Accountants' Report in Appendix I to this prospectus.

Our management team is responsible for monitoring our Group's foreign exchange exposure mainly arising from the customers' purchase orders predominantly denominated in US dollars.

Our foreign exchange risk management measures involve, among others, (i) monitoring the level of the outstanding trade receivables, in particular those denominated in foreign currencies, from time to time and maintaining accurate accounting records thereof by our administration and finance team; (ii) monitoring the exchange rate fluctuations closely by our administration and finance team; (iii) considering investment in derivative financial instruments, such as foreign exchange forward contracts, which are transacted only with authorised financial institutions; (iv) conduct analysis on risk and benefit assessment of such investment, by our finance team; (v) monitoring the performance of our investment on a regular basis by our financial manager; and (vi) requiring prior approval by our Board of any foreign exchange forward contracts to be entered into by our Group.

In respect of our investments in derivative financial instruments, we have formulated an investment management policy to analyse and assess the risk and benefit of each investment, including (i) the duration of the investment and the risk exposure; (ii) costs associated with the entering into the investment transaction; (iii) potential financial return and loss of the instrument; and (iv) the expected market trends of interest rate and exchange rate fluctuations.

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account of any Share which may be issued upon exercise of the Over-allotment Option), our Company will be owned as to 75% by Beautiful Homeland. As at the Latest Practicable Date, Beautiful Homeland was owned as to 70% by Mr. Zhu and 10% by each of Mr. Fang, Mr. Mao and Mr. Zhang, and is an investment-holding company and does not have any business operation.

Over the course of our business history, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries. As we were a group of private entities in the past, these arrangements were not formalised in writing and each of Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang was content with such arrangement based on their personal relationship, as well as the trust and confidence they have in each other.

On 28 April 2020, in preparation for the Listing, among others, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang executed the Deed of Concert Parties, whereby they have confirmed their acting in concert arrangement in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over our Group until the Deed of Concert Parties is terminated by them in writing.

The Deed of Concert Parties covers our Company and all of our subsidiaries (the "**Relevant Companies**"). Pursuant to the Deed of Concert Parties, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang have confirmed, agreed and acknowledged, among others, they have agreed to, and shall continue until the termination of the Deed of Concert Parties to:

(a) reach unanimous decisions among themselves on all management matters (including but not limited to the operations and financial matters) of the Relevant Companies;

(b) reach unanimous decisions among themselves on all material matters relating to the business of the Relevant Companies;

(c) cast unanimous vote collectively for or against all board resolutions or shareholders' resolutions to be passed at any board meetings or shareholders' meetings of the Relevant Companies; and

(d) maintain and centralise the ultimate control and management with respect to the Relevant Companies by way of mutual cooperation.

Therefore, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, together through Beautiful Homeland, will be entitled to control approximately 75% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised). As such, Beautiful Homeland, Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang will together form a group of Controlling Shareholders within the meaning of the Listing Rules. For details of the shareholding of the Controlling Shareholders in each of the companies in our Group, please refer to the section headed "History, Reorganisation and corporate structure".

Mr. Zhu, Mr. Fang and Mr. Mao are also our executive Directors, and Mr. Zhang is also our senior management. For details, please refer to the paragraphs headed "Directors and senior management — Board of directors and senior management" in this prospectus.

DEREGISTRATION OF COMPANY HELD BY OUR CONTROLLING SHAREHOLDERS

In addition to our Group, our Controlling Shareholders held interests in BHP Huzhou, which was owned as to 79%, 7%, 7% and 7% by Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang, respectively. During the Track Record Period, BHP Huzhou was principally engaged in the sale of food and alcoholic beverages. It also generated a small portion of its revenue from the sale of our household necessity products to local customers in the PRC.

Based on the unaudited management accounts of BHP Huzhou, for the year ended 31 December 2018 and the period from 1 January 2019 up to the cessation of business of BHP Huzhou in July 2019, BHP Huzhou generated revenue of approximately RMB0.7 million and RMB1.4 million, respectively, of which approximately nil and RMB0.1 million were generated from the sale of our Group's laundry products, respectively, accounting for approximately 0% and 7.1% of its total revenue for the period, respectively. BHP Huzhou recorded net loss of approximately RMB28,000 for the year ended 31 December 2018, and net profit of approximately RMB0.2 million for the period from 1 January 2019 up to the cessation of business of BHP Huzhou in July 2019. As set out above, the business focus and operation of BHP Huzhou and our Group are different. Our Directors had not participated in the daily operation and management of BHP Huzhou during the Track Record Period and thus, our Group and BHP Huzhou had independent sets of management, operation, administration and financial systems and personnel. BHP Huzhou was not included in our Group as our Directors are of the view that (i) the business of BHP Huzhou can be clearly delineated from the business of our Group in terms of business scope, target customers and suppliers and business location; (ii) the business of BHP Huzhou is not in line with our overall strategy to achieve sustainable growth in our current business, being the manufacture and sale of our products to overseas markets, and strengthen our production capacity; and (iii) the exclusion of BHP Huzhou can help streamline our business and operation. In particular, BHP Huzhou had carried out its business in the sale of a variety of products only in the PRC whereas our Group is export-oriented and our overseas sales of laundry products, household cleaning tools and kitchen gadgets contributed to approximately 99.1% and 98.6% of our total revenue for the years ended 31 December 2018 and 2019, respectively. Furthermore, in view of the small scale of operation of BHP Huzhou, our Directors confirmed that the inclusion of BHP Huzhou in our Group would not have any significant impact on our Group's business operation and financial performance during the Track Record Period.

Given the different nature of business between our Group and BHP Huzhou, our Directors do not consider there was any overlap nor competition between the business of our Group and BHP Huzhou during the Track Record Period. Notwithstanding that, to avoid possible competition that BHP Huzhou may have against our Group's business in the future, BHP Huzhou ceased its operation in July 2019, applied for deregistration on 20 April 2020 and was deregistered on 9 June 2020. Since BHP Huzhou had inventory, comprising mainly food and alcoholic beverages and miscellaneous office supplies, of approximately RMB1.5 million prior to its cessation of business, our Group purchased the said sundry supplies at cost value, on arm's length basis and normal commercial terms for use as our employee benefits in 2019.

Our Directors confirmed that BHP Huzhou was solvent and did not have any outstanding liabilities at the time of its deregistration. As confirmed by our PRC Legal Advisers, BHP Huzhou had not been subject to any material non-compliance incidents, claims, litigations or proceedings arising from its operation during the Track Record Period before its deregistration.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group is capable of carrying on its business independently from our Controlling Shareholders and their close associates upon completion of the Global Offering.

Management Independence

Our management rests with our Board and senior management. Our Board comprises three executive Directors, namely Mr. Zhu, Mr. Fang and Mr. Mao, one non-executive Director, namely Ms. Zhu Yi, and three independent non-executive Directors, namely Mr. Guan Yuchun, Mr. Zhao Xiaoming and Ms. Kung On Yee Annet. For details, please refer to the section headed "Directors and senior management" in this prospectus. Mr. Zhu is the sole director of Beautiful Homeland. Save as disclosed above, our Directors and senior management do not hold any directorships or positions in Beautiful Homeland or its close associates.

We consider that our Board and senior management are able to function independently from our Controlling Shareholders due to the following reasons:

(a) Each Director, including Mr. Zhu, Mr. Fang and Mr. Mao, our Controlling Shareholders, is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;

(b) our Board consists of three independent non-executive Directors and there will be sufficiently robust and independent voice within our Board to counter-balance any situation involving conflict of interest and protect the interests of our independent Shareholders;

(c) the management, operation and affairs of our Group are headed, managed and supervised by our Board as a whole and not by any individual Directors. According to the Articles, our Board must act collectively by a majority decision, and no individual Director is allowed to transact or make any decision for and on behalf of our Company alone unless he is authorised by our Board or in accordance with the provisions of the Articles. Any view of a Director will be checked and balanced by the view of other Board member;

(d) in the event that there is a potential conflict arising out of any transaction to be entered into between our Group and our Directors or their respective associates (the "**Conflicting Transaction**"), the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum, unless otherwise permitted under the Articles and/or the Listing Rules. The interested Director(s) shall not attend any independent board committee meetings comprising our independent non-executive Directors only. In the event that there is a Conflicting Transaction which shall be submitted to our independent non-executive Directors for their consideration and approval, they would have sufficient experience and knowledge to oversee such Conflicting Transaction from different aspects;

(e) our Company has also established internal control mechanism to identify related party transactions and/or connected transactions that are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement, circular and independent Shareholders' approval (where appropriate);

(f) in order to allow the non-conflicting members of our Board to function properly and make informed decision with the necessary professional advice, our Company will engage third party professional adviser(s) to advise our Board when necessary, depending on the nature and significance of the Conflicting Transaction;

(g) our Controlling Shareholders have undertaken to provide all information requested by our Group which is necessary for the annual review conducted by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

(h) our independent non-executive Directors will, based on the information available to them, review on annual basis (i) compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition, and to disclose all decisions on the matters pertaining to the annual review either through the annual report, or by way of announcement to the public; and

(i) our Company has established corporate governance procedures in safeguarding the interests of our Shareholders and enhancing our Shareholders' value. For details, please refer to the paragraphs headed "Corporate governance measures" in this section.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles as our Directors and manage the business of the Group independently from our Controlling Shareholders and their respective close associates after the Listing.

Financial Independence

Our Board believes that we are able to operate financially independent from our Controlling Shareholders and their associates due to the following reasons:

(a) we have an independent financial system and we make financial decisions independently according to our Group's own business and operation needs;

(b) we have sufficient capital to operate our business independently, and have adequate internal resources and credit profile to support our daily operation as evidenced by the fact that we had not relied on any banking facilities, bank and other borrowings for our financial results during the Track Record Period;

(c) all loans, advances and balances due to and from our Controlling Shareholders and their close associates will be fully settled upon the Listing;

(d) all personal guarantee provided by our Controlling Shareholders for our banking facilities and finance leases is expected to be released upon the Listing and, if necessary, be replaced by a corporate guarantee provided by our Company;

(e) we have independent access to third party financing on market terms and conditions for our business operations as and when required; and

(f) we have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with our Controlling Shareholders or their close associates.

Operational Independence

We make business decisions independently. Our Directors consider that we will continue to be operationally independent from our Controlling Shareholders and their respective associates after the Listing due to the following reasons:

(a) we hold all licences, permits and approvals that are material to the operation of our business and have sufficient capital, equipment and employees to operate our business independently;

(b) we have our own operational and administrative resources and we do not share such resources with our Controlling Shareholders and their respective associates or other companies controlled by our Controlling Shareholders and their respective associates;

(c) we have our own organisational and corporate governance structure and have established our own accounting, legal and human resources departments;

(d) we have established a set of internal control measures to facilitate the effective operation of our business;

(e) we have independent access to customers and suppliers. Although we have engaged companies controlled by relatives of our Controlling Shareholders to provide us with plastic injection moulding services, we would be able to replace such suppliers if necessary without material disruption to our operation, taking into consideration that the terms of the relevant service agreements are on normal commercial terms and fair and reasonable; and

(f) each of our Controlling Shareholders and their respective associates has no relationship with our five largest customers and five largest major suppliers of our Group (other than the business contracts in the ordinary and usual course of business of our Group) during the Track Record Period.

DISCLOSURE PURSUANT TO RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders, our Directors, our substantial Shareholders and their respective close associates confirmed that as at the Latest Practicable Date, he, she or 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, and requires disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for our subsidiaries). Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to our Company (for ourselves and for the benefit of our subsidiaries) on a joint and several basis that, save and except as disclosed in this prospectus, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved in or acquire or hold, directly or indirectly, any business in competition with or likely to be in competition with the existing business activity(ies) of any member of our Group and any business(es) that our Group may engage in from time to time within Hong Kong, the PRC and elsewhere where any member of our Group may operate from time to time, save for the holding of not more than 5% shareholding interest (individually or with his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/its close associates, if applicable) whose shareholding interest in the relevant listed company is higher than that of the relevant Controlling Shareholder (individually or with his/its close associates).

Each of our Controlling Shareholders has further undertaken that, if he/it or his/its close associates, other than any member of our Group, is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall promptly notify our Group in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the relevant Controlling Shareholder whether our Group will exercise the right of first refusal.

Our Group shall only exercise or reject the right of first refusal upon the approval by all independent non-executive Directors who do not have any interest in such opportunity. The relevant Controlling Shareholder(s) and other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board convened to consider such opportunity including but not limited to the relevant meeting(s) of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

(i) each of our Controlling Shareholders has undertaken to provide any information as is reasonably required by our Group and/or our independent non-executive Directors, to decide whether to exercise the right of first refusal by our Company from time to time;

(ii) our independent non-executive Directors shall review, on an annual basis, the compliance of the above undertakings from the Controlling Shareholders and to evaluate the effective implementation of the Deed of Non-competition; and

(iii) each of the Controlling Shareholders has undertaken to provide all information necessary for the aforesaid annual review on the enforcement of the Deed of Non-competition by our independent non-executive Directors and to provide an annual confirmation on his/its compliance with the Deed of Non-competition for inclusion in the annual report of our Company.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Committee granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date specified in the Underwriting Agreements (unless such conditions are waived on or before such date) or in any event on or before the date falling 30 days after the date of this prospectus, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on the date on which (i) in relation to any Controlling Shareholders, when he/it together with his/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company provided that the Deed of Non-competition shall continue to be in full force and effect as against the other Controlling Shareholders; or (ii) our Shares cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Our Company expects to comply with the Corporate Governance Code which sets out the principles of good corporate governance in aspects such as directors' responsibilities and their appointment, re-selection and removal, board composition, remuneration of directors and senior management, accountability and audit, and communication with Shareholders. Our Company will state in our interim and annual reports whether we have complied with such code provisions, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

In addition, our Company has adopted the following measures to strengthen our corporate governance practice and to safeguard the interests of our Shareholders:

(a) our Board will ensure that any material conflict or potential conflict of interests involving our Controlling Shareholders will be reported to our independent non-executive Directors as soon as practicable;

(b) the Articles provide that a Director shall not be counted in the quorum or vote 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 unless in certain circumstances as expressly stated in the Articles;

(c) each Director is aware of his fiduciary duties as a Director, which require, among other things, him to act for the benefit of our Company and our Shareholders as a whole and not to allow any conflict of interests between his duties as a Director and his personal interests;

(d) our audit committee will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;

(e) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders' compliance with the terms of the Deed of Non-competition, (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports, and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-competition;

(f) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;

(g) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company; and

(h) our Company has appointed Giraffe Capital Limited as the compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the Listing Rules.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements.

With the corporate governance measures including the measures set out above, our Directors believe that the interest of our Shareholders will be protected.

During the Track Record Period, the Group entered into certain transactions with connected persons of the Company which will continue and constitute continuing connected transactions (as defined under Chapter 14A of the Listing Rules) of the Company upon the Listing.

CONNECTED PERSONS

Following the Listing, the following parties, which have entered into the following transactions with our Group, are considered as connected persons of our Group:

— Deqing Xinzhong Plastic Co., Ltd.* (德清新眾塑膠有限公司) ("**Deqing Xinzhong**"): Deqing Xinzhong will be a connected person of our Company as it is ultimately beneficially owned as to (i) 50% by Mr. Xu Fuchun, who is the father-in-law of Mr. Fang (our Controlling Shareholder and executive Director) and uncle of Mr. Zhang (our Controlling Shareholder); and (ii) 50% by Mr. Mao Genfa, who is the brother of Mr. Mao (our Controlling Shareholder and executive Director). To the best knowledge of our Directors after making all reasonable enquiries, Deqing Xinzhong is a company established in October 2011 under the laws of the PRC which mainly engaged in providing plastic injection moulding services with a registered capital of RMB2.0 million. Apart from the processing fees paid by our Group and the reimbursement of raw material purchase costs received from our Group, there are no other financing arrangements or fund flows between our Group and Deqing Xinzhong or its respective directors and equity holders;

— Deqing Hongsheng Plastic Co., Ltd.* (德清宏升塑膠有限公司) ("**Deqing Hongsheng**"): Deqing Hongsheng will be a connected person of our Company as it is ultimately beneficially owned as to 51% by Ms. Xu Haihong, who is the sister-in-law of Mr. Fang and cousin of Mr. Zhang; and 49% by the husband of Ms. Xu Haihong. To the best knowledge of our Directors after making all reasonable enquiries, Deqing Hongsheng is a company established in August 2013 under the laws of the PRC which mainly engaged in providing plastic injection moulding services with a registered capital of RMB1.0 million. Apart from the processing fees paid by our Group and the reimbursement of raw material purchase costs received from our Group, there are no other financing arrangements or fund flows between our Group and Deqing Hongsheng or its respective directors and equity holders;

— Deqing Yongsheng Plastic Product Factory* (德清永盛塑料製品廠) ("**Deqing Yongsheng**", together with Deqing Xinzhong and Deqing Hongsheng, the "**Plastic Injection Service Providers**"): Deqing Yongsheng will be a connected person of our Company as it is ultimately beneficially wholly owned by Mr. Chen Qiaobo, who is the nephew of Mr. Mao. To the best knowledge of our Directors after making all reasonable enquiries, Deqing Yongsheng is a sole proprietorship enterprise established in January 2011 under the laws of the PRC which mainly engaged in providing plastic injection moulding services with an amount of contribution of RMB500,000. Apart from the processing fees paid by our Group and the reimbursement of raw material purchase costs received from our Group, there are no other financing arrangements or fund flows between our Group and Deqing Yongsheng or its respective legal representative and sole proprietor; and

— NSM: NSM will be a connected person of our Company at subsidiary level as it is wholly owned by Mr. Nicholson, who was a director of our indirect wholly-owned subsidiary, BHP UK, in the last 12 months, and his associates. NSM, incorporated under the laws of the United Kingdom, is an agent involved in the sale of furniture, household goods, hardware and ironmongery.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the Listing, it is expected that the following transactions will be carried out by our Group and regarded as continuing connected transactions of our Group which will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Management Agreement

We entered into a management agreement with NSM on 1 July 2018 (the "**Management Agreement**"), pursuant to which NSM agreed to assist BHP Zhejiang in performing sales and marketing functions in the United Kingdom. The term of the Management Agreement with NSM is for three years commencing on 1 July 2018 and ending on 30 June 2021. Pursuant to the Management Agreement, BHP Zhejiang and BHP UK shall pay NSM an annual fee of £160,000. The consideration for the services under the Management Agreement was determined after arm's length negotiation having considered (i) the historical transaction amounts; (ii) the scope of work and required level of services, including management, sales and marketing services, as specified in the Management Agreement; and (iii) the change of the role of NSM from being our trade agency that represented our Group in the United Kingdom to develop our client base, liaise with our clients and handle related sales and marketing activities to being a service provider that provides assistance to our Group in sales and marketing activities in the United Kingdom during the transition period.

Historical transaction amounts, annual caps and basis:

With respect to the transactions contemplated under the Management Agreement, the historical transaction amounts during the Track Record Period and the annual caps for each of the three years ending 31 December 2023 are as follows:

Historical transaction amounts for				**Annual caps for**		
Year ended 31 December			**Four months ended 30 April**	**Year ending 31 December**		
2018	**2019**	**2020**	**2021**	**2021**	**2022**	**2023**
RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
3.2[1]	1.5[2]	1.5[2]	0.5[2]	0.7[3]	—[4]	—[4]

Notes:

1. Such historical transaction amount comprise (i) the sales commission paid to NSM for its trade agency services until 30 June 2018 and (ii) the management services fee paid to NSM pursuant to the Management Agreement.

2. Such historical transaction amount comprise the management services fee paid to NSM pursuant to the Management Agreement.

3. The decrease in the proposed annual caps is in line with the effective period of the Management Agreement with NSM, which is effective for the full year ended 31 December 2020 and effective only for first half of the year ending 31 December 2021. We do not intend to renew the Management Agreement with NSM upon its expiration on 30 June 2021.

4. The annual cap for each of the years ending 31 December 2022 and 2023 is nil as we do not intend to renew the Management Agreement with NSM upon its expiration on 30 June 2021.

The above annual caps are determined by the Company based on the annual fees payable by our Group to NSM under the Management Agreement. Pursuant to the Management Agreement, no sales commission is payable to NSM and only a fixed annual fee is payable for NSM's sales and marketing services. Therefore, the above proposed annual caps only include such fixed annual fee payable to NSM.

Reasons for and benefits of entering into the Management Agreement:

During the Track Record Period, our Group engaged NSM as a trade agency and predominantly relied on NSM to promote our products in the United Kingdom, develop the market in the United Kingdom of our Group and handle after-sales services to our customers in the United Kingdom. As Mr. Nicholson, who owns NSM with his associates and previously a director of BHP UK, is at the age of 69 and is prepared for retirement, since 1 July 2018, NSM no longer acted as our agent in the United Kingdom and our Group primarily handles all the marketing and after-sales services in the United Kingdom on our own. In order to facilitate a smooth transition of sales and marketing functions from NSM to our Group, we entered into the Management Agreement with NSM so that NSM can assist our Group in performing sales and marketing functions up to 30 June 2021.

Listing Rules implications:

The transactions contemplated under the Management Agreement are conducted in the ordinary and usual course of business on normal commercial terms or better. As each of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the Management Agreement is less than 5% and the annual transaction amount is less than HK$3.0 million, the transactions contemplated thereunder constitute de minimis continuing connected transactions of the Company, which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Plastic Injection Moulding Services Agreements

Nature of the transaction:

During the Track Record Period, our Group engaged the Plastic Injection Service Providers to process raw materials into parts for our plastic household necessity products. There was no long-term agreement between our Group and the Plastic Injection Service Providers. We placed our orders for the plastic injection moulding services on an order-by-order basis with the Plastic Injection Service Providers at the service fees agreed between the parties after arm's length negotiation on normal commercial terms on separate occasions. The service fees were determined based on (i) the prevailing market rate of such processing services of similar scope and quality; (ii) the volume and features of the parts to be processed; (iii) the level of precision and number of production steps which the parts require; (iv) the expected delivery schedule of the parts; and (v) our own estimated production cost. During the Track Record Period, in order to ensure that the service fees were fair and reasonable and in line with the then prevailing market rate, our Group had regularly obtained quotations from external service providers who provided services of similar scope and were Independent Third Parties of our Group (the "**Independent Service Providers**") prior to engaging the Plastic Injection Service Providers. The quotations provided by each service provider varied depending on the type of parts to be processed. During the Track Record Period, the unit cost of processing for certain major parts charged by the Plastic Injection Service Providers was generally not higher than the quotations obtained from the Independent Service Providers. For instance and illustration, the cost of processing item A, a plastic cap which was one of the major plastic parts for our laundry products, charged by the Plastic Injection Service Provider in 2019 was approximately RMB0.0208 per unit while the quotation obtained from the Independent Service Providers for the same year/period was on average approximately RMB0.0222 per unit.

The table below sets forth a comparison of the major terms offered by the Plastic Injection Service Providers and the Independent Service Providers:

	Plastic Injection Service Providers	Independent Service Providers
Minimum amount for service:	No minimum amount of service required.	No minimum amount of service required.
Delivery:	The Plastic Injection Service Providers will, at their own costs, arrange delivery of the processed parts to the location designated by our Group.	The Independent Service Providers will, at their own costs, arrange delivery of the processed parts to the location designated by our Group.
Quality control and product defects:	• The Plastic Injection Service Providers will perform sampling inspection on the processed parts and provide technical information and quality certification documents to our Group upon delivery of products.	• The Independent Service Providers will provide technical information and quality certification documents to our Group upon delivery of products.
	• In the event there is quality issue in relation to the processed parts, our Group shall have the right to request the Plastic Injection Service Providers to (a) repair and/or re-process the parts; (b) lower the service fees; and (c) indemnify our Group against our loss, including but not limited to raw materials costs, labour costs and costs incurred by us in relation to defective product claims from our customers and any related expenses incurred therein.	• In the event there is quality issue in relation to the processed parts, our Group shall have the right to request the Independent Service Providers to (a) repair and/or re-process the parts; (b) lower the service fees; and (c) indemnify our Group against our loss, including but not limited to raw materials costs, labour costs and costs incurred by us in relation to defective product claims from our customers and any related expenses incurred therein.
Credit period:	Within 30 days from invoice date.	Within 30 days from invoice date.

In view of (i) the competitive pricing and comparable terms offered by the Plastic Injection Service Providers; (ii) the stable, on schedule and good quality services provided by the Plastic Injection Service Providers; and (iii) the willingness of the Plastic Injection Service Providers to accommodate urgent requests (if any) from our Group given that we have established long-term business relationships with them, our Group engaged the Plastic Injection Service Providers for certain plastic injection moulding process during the Track Record Period.

During the Track Record Period, our Group occasionally engaged the Plastic Injection Service Providers for carrying out plastic injection moulding, during which our Group requested the Plastic Injection Service Providers to procure raw materials from our designated suppliers on behalf of our Group, and subsequently reimbursed the costs of the raw materials to the Plastic Injection Service Providers together with the service fees. As at the Latest Practicable Date, our Group has ceased such arrangement and raw materials were provided to the Plastic Injection Service Providers by our Group.

On 25 October 2021, we entered into plastic injection moulding processing services agreements with each of the Plastic Injection Service Providers, pursuant to which we agreed to purchase the plastic injection moulding services on a non-exclusive basis from the Plastic Injection Service Providers (the "**Plastic Injection Moulding Services Agreements**").

Under the Plastic Injection Moulding Services Agreements, we shall (i) from time to time place orders for plastic injection moulding services from the Plastic Injection Service Providers, which shall set out, among others, the quantity, delivery date and place of delivery of the parts for our plastic products to be processed and supplied by the Plastic Injection Service Providers; and (ii) provide raw materials to the Plastic Injection Service Providers for further processing. The term of the Plastic Injection Moulding Services Agreements with the Plastic Injection Service Providers shall commence on the Listing Date and will end on 31 December 2023.

Pricing:

The service fees of plastic injection moulding services under the Plastic Injection Moulding Services Agreements would be determined with reference to (i) the prevailing market rate of such processing services of similar scope and quality; (ii) the volume and features of the parts to be processed; (iii) the level of precision and number of production steps which the parts require; (iv) the expected delivery schedule of the parts; and (v) our own estimated production cost.

To ensure the transactions under the Plastic Injection Moulding Services Agreements are on normal commercial terms and to safeguard the interests of our Group and our Shareholders as a whole, we have put in place internal approval and monitoring procedures relating to our connected transactions, further details of which are set out in "Internal control for our Group's continuing connected transactions" below. In order to ensure that the fees are fair and reasonable and in line with prevailing market rate, we will compare such fees with quotations from at least three service providers which provide services of similar scope and quality and are Independent Third Parties.

Reasons for and benefits of entering into the Plastic Injection Moulding Services Agreements:

Since their respective establishments, the Plastic Injection Service Providers have been owned by relatives of our Controlling Shareholders (the "**Equity Holders**").

As confirmed by our Controlling Shareholders, in the early 2000s, our Controlling Shareholders were working, as employees, at Hangzhou Yajie Household Products Company Limited* (杭州亞潔日用品有限公司) (the "**Hangzhou Yajie**"), a company which engaged in production of household necessity products, and the majority of the Equity Holders were providing plastic injection moulding services, as suppliers, to such company.

In early 2006, due to the insufficiency of the production capacity and efficiency of the production plant of BHP Linhai, BHP Linhai had to outsource the plastic injection moulding services and engaged majority of the Equity Holders to provide such services. Our Group has since then continued to procure such services from the Equity Holders and companies controlled by them.

Having considered that (i) the Equity Holders have been providing plastic injection moulding services to our Group for an extensive period of time and thus they are very familiar with the requirements of our Group; and (ii) the quality of the services provided by the Equity Holders have been satisfactory throughout the years, our Directors consider that entering into the Plastic Injection Moulding Services Agreement with the Plastic Injection Service Providers would ensure a stable source of supplies of such processing services during the term of the agreement and thus bring a positive operational impact on our Group. Further, our Group considered that the terms of the Plastic Injection Moulding Services Agreements are (i) on normal commercial terms or better; (ii) fair and reasonable; and (iii) conducted in the ordinary and usual course of business of our Group, and as such the entering into the Plastic Injection Moulding Services Agreements is in the interest of our Group and our Shareholders as a whole.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as our Controlling Shareholders having worked as employees at Hangzhou Yajie and the majority of the Equity Holders, who are relatives of our Controlling Shareholders, having provided plastic injection moulding services to Hangzhou Yajie as suppliers, there is no past or present relationships (including, without limitation, business, employment, family, financial, personal or otherwise) between (i) Hangzhou Yajie and (ii) each of our Group comprising the Company and its subsidiaries, our Controlling Shareholders, Directors, senior management, or any of their respective associates and the Equity Holders.

To the best knowledge of our Directors after making all reasonable enquiries, the registered capital/amount of contribution of the Plastic Injection Service Providers were from the own sources of funding of the Equity Holders, including their personal savings and profits derived from (i) the provision of plastic injection moulding services; and/or (ii) other businesses, and were not from our Group comprising the Company and its subsidiaries, our Controlling Shareholders, Directors, or senior management.

Historical transaction amounts, annual caps and basis:

Since the continuing connected transactions contemplated under the Plastic Injection Moulding Services Agreements are (i) to be entered into by our Group with parties connected with one another (Mr. Xu Fuchun, who is an equity holder of Deqing Xinzhong, is the father of Ms. Xu Haihong, who is an equity holder of Deqing Hongsheng; Mr. Mao Genfa, who is an equity holder of Deqing Xinzhong, is the uncle of Mr. Chen Qiaobo, who is the equity holder of Deqing Yongsheng) and (ii) of the same nature, such transactions shall be aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

With respect to the transactions contemplated under the Plastic Injection Moulding Services Agreements, the historical transaction amounts during the Track Record Period and the proposed annual caps for each of the three years ending 31 December 2023 are as follows:

Historical transaction amounts for				**Proposed annual caps for**		
Year ended 31 December			**Four months ended 30 April**	**Year ending 31 December**		
2018	**2019**	**2020**	**2021**	**2021**	**2022**	**2023**
RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
12.8	14.5	15.9	8.0	17.6	14.1	11.2

The above proposed annual caps are determined by our Group based on:

(i) the historical transaction amounts between our Group and the Plastic Injection Service Providers;

(ii) the historical sales amounts of our products which required plastic injection moulding services from the Plastic Injection Service Providers;

(iii) the estimated average processing fees payable to the Plastic Injection Service Providers considering (a) the estimated annual inflation rate in the PRC of approximately 2.6% from 2020 to 2021, from 2021 to 2022 and from 2022 to 2023, respectively; and (b) according to the CIC Report, the average annual salary for workers in the manufacturing industry in the PRC is expected to experience a growth of approximately 7.3%, 7.8% and 7.6%, from 2020 to 2021, from 2021 to 2022 and from 2022 to 2023, respectively; and

(iv) the estimated number of units we expect to outsource to the Plastic Injection Service Providers taking into account:

(a) *the expected increase in demand for our products which require plastic injection moulding services* — According to the CIC Report, the export value of drying racks and household cleaning tools in the PRC are expected to grow with a CAGR of approximately 3.4% and 3.4%, respectively, from 2021 to 2025.

Furthermore, to reach out to local consumers in the PRC, our Group intends to strengthen our sales and marketing efforts to promote and develop our own "*Jia Ji Bao*" (家吉寶) brand products. According to the CIC Report, the retail sales value of drying racks in the PRC is expected to increase with a CAGR of approximately 9.2% from 2021 to 2025; and the retail sales value of cleaning tools in the PRC is expected to increase with a CAGR of approximately 7.4% from 2021 to 2025. Our Directors believe that by leveraging our Group's experience and expertise in serving well-established international brands on an OEM or an ODM basis, our Group is capable of developing quality products of our own brand and expand our OBM business; and

(b) *the expected decrease in demand for the plastic injection moulding services from the Plastic Injection Service Providers as a result of our expected expansion of production capacity* — The expansion of our production capacity for laundry products and household cleaning tools will take place by stages and the maximum annual designed capacity of laundry products and household cleaning tools are expected to be approximately 1,858,000 units and 10,178,000 units, respectively by the end of 2022; and 2,658,000 units and 13,378,000 units, respectively by the end of 2023 (assuming the commercial production of phase I and phase II of our New Production Plant to be commenced in September 2022 and September 2023, respectively).

Upon the commencement of production of the New Production Plant with increased production capacity, we will be able to gradually reduce the outsourcing of the plastic injection moulding process to the Plastic Injection Service Providers by carrying out plastic injection moulding process by our in-house production machinery and equipment. For details regarding the usage of the New Production Plant and the projected increase in our production capacity after its establishment, please refer to the section headed "Business — Production Facility — New production facility and warehousing facility in the New Production Plant" in this prospectus.

Listing Rules implications:

As the highest applicable percentage ratio (other than the profits ratio) of the transactions contemplated under the Plastic Injection Moulding Services Agreements on an aggregate annual basis will be more than 5% and the annual transaction amount is more than HK$10.0 million, in the absence of a waiver, the continuing connected transactions contemplated thereunder will be subject to reporting, annual review, announcement, circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL FOR OUR GROUP'S CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the terms under the Management Agreement and Plastic Injection Moulding Services Agreements (together, the "**Framework Agreements**") for the continuing connected transactions are fair and reasonable and are carried out under normal commercial terms or better, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the audit committee under our Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the connected transactions. In addition, the audit committee under our Board, our Board and various other internal departments of our Company (including but not limited to the finance department and compliance and legal department) are jointly responsible for evaluating the terms under the Framework Agreements for continuing connected transactions, in particular, with respect to the fairness of the pricing policies and annual caps under each agreement;

- the audit committee under our Board, our Board and various other internal departments of our Company also regularly monitor the fulfilment status and the transaction updates under the Framework Agreements. In addition, our management also regularly reviews the pricing policies of the Framework Agreements;

- our independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the Framework Agreements and provide annual confirmations to ensure that, pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms or better and in accordance with the relevant pricing policies;

- when considering service fees for the services to be provided to our Group by the above connected persons or the service fees for the services to be provided by our Group to the above connected persons, our Group will constantly research prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be) are fair, reasonable and are no less favourable than those to be offered by Independent Third Parties; and

- when considering any renewal or revisions to the Framework Agreements after the Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

Accordingly, our Directors consider that we have in place an effective internal control system to ensure that the transactions contemplated under the relevant continuing connected transactions have been and will be conducted on normal commercial terms or better and not prejudicial to the interests of our Group and our Shareholders as a whole.

APPLICATION FOR WAIVER

Given that the Plastic Injection Moulding Services Agreements will be carried out following the Listing on a recurring basis, our Directors consider that it would be unduly burdensome and impracticable, and would increase our Company's administrative costs, if the continuing connected transactions under the Plastic Injection Moulding Services Agreements are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the requirements on reporting, announcement, circular and independent shareholders' approval.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a wavier pursuant to Rule 14A.105 of the Listing Rules to exempt the continuing connected transactions contemplated under the Plastic Injection Moulding Services Agreements from strict compliance with the relevant announcement, circular and/or independent shareholders' approval requirements, for up to the year ending 31 December 2023 under Chapter 14A of the

Listing Rules. In addition, we confirm that we will comply with the other applicable requirements under Chapter 14A of the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set forth above is exceeded, or when there is a material change in the terms of the continuing connected transactions.

OUR DIRECTORS' VIEW

Our Directors (including the independent non-executive Directors) consider that (i) the continuing connected transactions under the Plastic Injection Moulding Services Agreements as described above have been entered into in the ordinary and usual course of business of our Group and have been based on arm's length negotiations and on normal commercial terms or better that are fair and reasonable and in the interests of our Group and our Shareholders as a whole; and (ii) the respective terms of the Plastic Injection Moulding Services Agreements and the proposed annual caps as mentioned above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant documents, information and historical figures provided by our Company and has participated in due diligence and discussions with our Company and its legal advisers. Based on the above, the Sole Sponsor is of the view that the continuing connected transactions under the Plastic Injection Moulding Services Agreements (i) have been and will be entered into in the ordinary and usual course of business of our Group; (ii) are on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) the proposed annual caps for the continuing connected transactions under the Plastic Injection Moulding Services Agreements are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of appointment as Director	Time of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. Zhu Boming (朱伯明)	57	Chairman and executive Director	21 May 2019	June 2005	Overall management, strategic development and decision-making of our Group	Father of Ms. Zhu Yi
Mr. Fang Gaisheng (方改生)	47	Executive Director	21 May 2019	June 2005	Management and supervision of production matter of our Group	Cousin-in-law of Mr. Zhang
Mr. Mao Chungen (毛春根)	60	Executive Director	21 May 2019	June 2005	Management of technical application and product development of our Group	Nil
Non-executive Director						
Ms. Zhu Yi (朱奕)	25	Non-executive Director	22 April 2020	March 2020	Assisting the Board in overall management of our Group, handling compliance related matters and participating in decision-making in respect of major matters of our Group	Daughter of Mr. Zhu
Independent non-executive Directors						
Mr. Guan Yuchun (關榆春)	58	Independent non-executive Director	12 October 2021	12 October 2021	Supervising and providing independent judgement to our Board	Nil
Mr. Zhao Xiaoming (趙曉明)	64	Independent non-executive Director	12 October 2021	12 October 2021	Supervising and providing independent judgement to our Board	Nil

Name	Age	Present position	Date of appointment as Director	Time of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Kung On Yee Annet (龔安怡)	40	Independent non-executive Director	12 October 2021	12 October 2021	Supervising and providing independent judgement to our Board	Nil

The following table sets forth certain information of our senior management member:

Name	Age	Present position	Date of appointment as senior management	Time of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Zhang Wenzhi (張文志)	47	Deputy general manager of the procurement department	June 2005	June 2005	Administering and coordinating the procurement process of our Group	Cousin-in-law of Mr. Fang
Ms. Dai Linxian (戴林仙)	51	Financial manager	October 2011	October 2011	Overseeing the financial management and accounting matters of our Group	Nil

DIRECTORS

Executive Directors

Mr. Zhu Boming (朱伯明), aged 57, is the chairman of the Company and our executive Director. Mr. Zhu was appointed as our Director on 21 May 2019 and was re-designated as our executive Director on 23 April 2020. He is also the chairman of our nomination committee and a member of our remuneration committee. Mr. Zhu is one of the founders of our Group and is primarily responsible for the overall management, strategic development and decision-making of our Group.

Mr. Zhu has over 28 years of experience in the household necessity product industry. Prior to founding the Group in June 2005, Mr. Zhu worked at Zhejiang Dachang Plastic Company Limited* (浙江達昌塑膠有限公司), a company primarily engaged in the sale and production of plastic household products, from 1992 to 2001 in the sales department and was responsible for handling export matters. From September 2001 to June 2004, Mr. Zhu acted as a general manager of

Hangzhou Yajie Household Products Company Limited* (杭州亞潔日用品有限公司), a company primarily engaged in production of household necessity products, and was responsible for the overall management of its business operation.

Mr. Zhu obtained his bachelor's degree in wireless electrical equipment structure design from the Nanjing Institute of Technology* (南京工學院) in China (now known as Southeast University* (東南大學)) in July 1987. Mr. Zhu also completed the Advanced Seminar for President* (高級工商管理總裁研修班証書) from Zhejiang University* (浙江大學) in January 2006.

Mr. Zhu was a director, supervisor or manager of the following companies prior to their respective dissolution:

Name of company	Place and date of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Zhejiang Lin'an Dadi Chemical Co Ltd* (浙江臨安大地化工有限公司)	PRC, 5 November 2004	Sales of chemical products	8 March 2013	Deregistration	Ceased to carry out business
Better Home Products (Linhai) Co., Ltd* (臨海市百特日用品製造有限公司)	PRC, 23 June 2005	Manufacturing and sale of laundry products, household cleaning tools and kitchen gadgets	31 March 2014	Deregistration	Ceased to carry out business
NSM Company Limited	HK, 25 September 2012	No business activities	27 October 2017	Deregistration	No business activities
Shanghai Zhengte Network Technology Co., Ltd* (上海政特網絡科技有限公司)	PRC, 19 August 2015	Sale of food and alcoholic beverages	11 February 2018	Deregistration	Ceased to carry out business
BHP Huzhou	PRC, 19 August 2013	Sale of food and alcoholic beverages	9 June 2020	Deregistration	Ceased to carry out business

Mr. Zhu confirmed the above companies were solvent with no outstanding liabilities arising from any material non-compliance incidents, claims, litigations or proceedings arising from their operations immediately prior to their dissolutions and there was no wrongful act on his part leading to their dissolutions.

Mr. Fang Gaisheng (方改生), aged 47, is our executive Director. Mr. Fang was appointed as our Director on 21 May 2019 and was re-designated as our executive Director on 23 April 2020. Mr. Fang is one of the founders of our Group and is primarily responsible for management and supervision of production matter of our Group.

Mr. Fang has over 20 years of experience in the household necessity product industry. Prior to founding the Group in June 2005, Mr. Fang acted as a deputy general manager of Hangzhou Yajie Household Products Company Limited* (杭州亞潔日用品有限公司), a company primarily engaged in production of household necessity products, from September 2001 to September 2005 and was responsible for management of production related matters.

Mr. Fang obtained his bachelor's degree in high polymer material and engineering from Hubei Engineering College* (湖北工學院) in China (now known as Hubei University of Technology* (湖北工業大學)) in June 1999.

Mr. Fang was a supervisor of the following company prior to its dissolution:

Name of company	Place and date of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
BHP Huzhou	PRC, 19 August 2013	Sale of food and alcoholic beverages	9 June 2020	Deregistration	Ceased to carry out business

Mr. Fang confirmed the above company was solvent with no outstanding liabilities arising from any material non-compliance incidents, claims, litigations or proceedings arising from its operation immediately prior to its dissolution and there was no wrongful act on his part leading to its dissolution.

Mr. Mao Chungen (毛春根), aged 60, is our executive Director. Mr. Mao was appointed as our Director on 21 May 2019 and was re-designated as our executive Director on 23 April 2020. Mr. Mao is one of the founders of our Group and is primarily responsible for the management of technical application and product development of our Group.

Mr. Mao has over 33 years of experience in the household necessity product industry. Prior to founding the Group in June 2005, Mr. Mao worked as a deputy factory manager in Wenling Household Plastic Factory* (溫嶺縣日用工藝塑膠廠) from January 1988 and was responsible for production management. From July 1988 to 1991, Mr. Mao worked in Zhejiang Wenling Feida Industrial Company* (浙江溫嶺飛達實業總公司), a company primarily engaged in the sale and production of plastic products, as a deputy general manager and was responsible for technical and production management. From 1992 to 1994, Mr. Mao worked in Zhejiang Dachang Plastic Company Limited* (浙江達昌塑膠有限公司), a company primarily engaged in sale and production of plastic household products, as an assistant to general manager and was responsible for technical and production management. From 1995 to 1996, Mr. Mao worked in Linhai Dahong Plastic Company Limited* (臨海達宏塑膠有限公司), a company primarily engaged in the sale and production of vehicle plastic components, and was responsible for technical management. From 1996 to 1999, Mr. Mao worked at Hangzhou Dalong Plastic Company Limited* (杭州達隆塑膠有限公司), a company primarily engaged in production of sewage pipes, as a chief engineer and was responsible for technical management and product development. From 1999 to 2005, Mr. Mao worked as a chief engineer at Hangzhou Yajie Household Products Company Limited* (杭州亞潔日用品有限公司), a company primarily engaged in production of household cleaning products, and was responsible for technical management and product development.

Mr. Mao obtained his associate's degree in business enterprise operation management from Zhejiang Radio & TV University* (浙江廣播電視大學) in China in July 2000. Mr. Mao also obtained his master's degree in business administration from Renmin University of China* (中國人民大學) in October 2008. Mr. Mao received the qualification as an intermediate engineer* (工程師(中級)), which was granted by Hangzhou Corporate Engineer Committee* (杭州市鄉鎮企業工程技術人員中評委) in November 1998.

Mr. Mao was a director, supervisor or manager of the following companies prior to their respective dissolution:

Name of company	Place and date of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Shanghai Yuanlin Dafu Plastics Co., Ltd* (上海園林達富塑膠有限公司)	PRC, 11 February 1999	No business activities	11 December 2000	Revocation of business licence	No business activities and did not attend to annual inspection
Better Home Products (Linhai) Co., Ltd* (臨海市百特日用品製造有限公司)	PRC, 23 June 2005	Manufacturing and sale of laundry products, household cleaning tools and kitchen gadgets	31 March 2014	Deregistration	Ceased to carry out business
BHP Huzhou	PRC, 19 August 2013	Sale of food and alcoholic beverages	9 June 2020	Deregistration	Ceased to carry out business

Mr. Mao confirmed the above companies were solvent with no outstanding liabilities arising from any material non-compliance incidents, claims, litigations or proceedings arising from their operations immediately prior to their dissolutions and there was no wrongful act on his part leading to their dissolutions.

Non-executive Director

Ms. Zhu Yi (朱奕), aged 25, is the daughter of Mr. Zhu, one of our founders, Controlling Shareholders and executive Directors, and was appointed as our Director on 22 April 2020 and re-designated as our non-executive Director on 23 April 2020. She is primarily responsible for assisting our Board in overall management of our Group, handling compliance related matters and participating in decision-making in respect of major matters of our Group.

From June 2019 to February 2020, Ms. Zhu worked as a fund accountant in State Street Corporation Hangzhou Branch, a company primarily engaged in investment business, and was responsible for capital statement analysis for private equity in North America, Singapore and Ireland.

Ms. Zhu graduated from University of California San Diego with a bachelor's degree in science in March 2019.

Ms. Zhu did not hold any directorship position in any companies which were subsequently dissolved.

Independent non-executive Directors

Mr. Guan Yuchun (關榆春), aged 58, was appointed as our independent non-executive Director on 12 October 2021 and is primarily responsible for supervising and providing independent judgement to our Board. He is also a member of our audit committee, remuneration committee and nomination committee.

Mr. Guan has over 40 years of experience in finance and banking. He joined the Xishan Road Office of Industrial and Commercial Bank of China as a bank officer at the savings department in December 1981 and was later promoted to the position of an economist of the headquarter office at the bank. From December 1993 to April 1998, he worked as a manager at the savings department of the North Jianshe Road Office of Industrial and Commercial Bank of China and was mainly responsible for overseeing the operation of the savings department. From April 1998 to June 2018, he worked as a bank officer at the savings department of Bank of Tangshan and was later promoted to the position of general manager of the business department of the Caofeidian office* (曹妃甸事業部). During his employment at the Caofeidian office* (曹妃甸事業部) of Bank of Tangshan, he was mainly responsible for the overall sales and management of the department.

Mr. Guan graduated from Hebei Radio and TV University* (河北廣播電視大學) in China with a diploma in finance in July 1989. He also obtained a diploma in English from Hebei Normal College* (河北師範學院) in China (now known as Hebei Normal University* (河北師範大學) in June 1995.

Mr. Guan did not hold any directorship position in any companies which were subsequently dissolved.

Mr. Zhao Xiaoming (趙曉明), aged 64, was appointed as our independent non-executive Director on 12 October 2021 and is primarily responsible for supervising and providing independent judgement to our Board. He is also the chairman of our remuneration committee and a member of our audit committee.

Mr. Zhao has over 25 years of experience in the legal industry. In June 1996, Mr. Zhao founded Heilongjiang Daming Law Firm* (黑龍江達明律師事務所) and has been the supervisor of the same from June 1996 to July 2016. From July 2016 to December 2018, Mr. Zhao was a partner of Hainan Huihai Law Firm* (海南惠海律師事務所). Since January 2019, Mr. Zhao has been a partner of Deheng Law Offices (Sanya)* (北京德恒(三亞)律師事務所).

Mr. Zhao obtained his bachelor's degree in political economics from Heilongjiang University* (黑龍江大學) in China in July 1984 and further obtained a master's degree in law from the same university in July 2002. Mr. Zhao became a qualified lawyer in the PRC since October 1995.

Mr. Zhao was a director of the following company prior to its dissolution:

Name of company	Place and date of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Harbin Diwang Real Estate Broker Co., Ltd* (哈爾濱地王房地產經紀有限公司)	PRC, 19 May 2005	No business activities	4 May 2012	Revocation of business licence	No business activities and did not attend to annual examination

Mr. Zhao confirmed the above company was solvent with no outstanding liabilities arising from any material non-compliance incidents, claims, litigations or proceedings arising from its operation immediately prior to its dissolution and there was no wrongful act on his part leading to its dissolution.

Ms. Kung On Yee Annet (龔安怡), aged 40, was appointed as our independent non-executive Director on 12 October 2021 and is primarily responsible for supervising and providing independent judgement to our Board. She is also the chairman of our audit committee and a member of our nomination committee.

Ms. Kung has over 15 years of experience in finance and accounting. The following table sets out the previous professional experience of Ms. Kung:

Company	Principal business activities	Position	Responsibilities	Service period
Baker Tilly Hong Kong Business Services Limited	Providing accounting and advisory services	Auditor III, subsequently promoted to Senior Auditor III	Handling matters in relation to financial accounting and auditing	July 2006 to August 2008
Man Sang Jewellery Company Limited, a company whose then holding company was listed on the Stock Exchange (stock code: 0938)	Purchasing, processing and wholesaling of pearls	Internal auditor	Handling matters in relation to the audit compliance requirements under the Sarbanes-Oxley Act	February 2009 to January 2011
Fuqi International, Inc., a company whose shares were formerly traded on the Nasdaq Stock Market (stock code: FUQI) and was later delisted in March 2011	Producing and selling luxurious jewellery	Assistant internal audit manager	Handling matters in relation to the audit compliance requirements under the Sarbanes-Oxley Act	January 2011 to January 2012
China Trillion Capital Limited	Providing capital market consultancy services	Vice president	Performing due diligence reviews of potential listing projects and assisting companies to meet the listing requirements with regards to financial and audit compliance	November 2012 to November 2017

Company	Principal business activities	Position	Responsibilities	Service period
Anphil Company Limited (formerly known as Anphil Accounting and Professional Consultancy Services Limited)	Providing accounting and consultancy services	Director and company secretary	Providing accounting and company secretarial services	September 2014 to present

Ms. Kung graduated from the University of Melbourne with a bachelor's degree in commerce in December 2004. She further obtained a master's degree in corporate governance from the Hong Kong Polytechnic University in September 2016.

Ms. Kung has been admitted as a member of the Hong Kong Institute of Certified Public Accountants since July 2009, the Institute of Internal Auditors since August 2009, the Taxation Institute of Hong Kong since January 2010 and the Institute of Chartered Secretaries and Administrators of Hong Kong since December 2016.

Ms. Kung did not hold any directorship position in any companies which were subsequently dissolved.

Our Directors are of the view that the role of an independent non-executive Director includes but not limited to:

(i) contributing to the performance function of our Board by bringing his/her general and/or specialist knowledge, experience, expertise, insights and access to relevant outside resources or connections on the issues facing our Board;

(ii) supervising management, in particular to ensure conformance with our Group's established policies, procedures and plans;

(iii) ensuring that the interests of all Shareholders, and not only the interests of a particular group, are taken into account by our Board;

(iv) counter-balancing any situation involving conflict of interest of any Directors and protect the interests of the independent Shareholders; and

(v) performing their duties as chairpersons/members of the audit committee, nomination committee and/or remuneration committee.

Our Directors are of the view that our independent non-executive Directors, though not having prior experience in our Group's industry or other listed companies, can fulfil the abovementioned functions and bring valuable insights, knowledge and experience to our Board which is not confined by the know-how or skill sets in our Group's industry given that they possess ample experience in their respective field of work. For instance, with over 40 years of experience in finance and banking, Mr. Guan is well-equipped to provide independent judgement to our Board on financing and transactional matters. Mr. Zhao, being a partner of a law firm who possesses over 25 years of experience in the legal industry, can assist in supervising our Group's legal compliance and advise our Board on legal matters. Ms. Kung, who has been a member of the Hong Kong Institute of Certified Public Accountants since July 2009 with considerable experience in handling audit and compliance matters, can lead our Group's audit committee to perform its duties including overseeing the audit process and internal control systems of our Group. In addition, to make an informed judgement and in order to be effective during board deliberation of strategic and commercial issues, our independent non-executive Directors will spend time learning about our Group's background, its business and the industry in which it operates. Our Group will also organise induction for our independent non-executive Directors that will cover such areas.

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed in this section, each of our Directors confirms with respect to him/her that: (a) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas prior to the Latest Practicable Date; (b) he/she did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (c) he/she did not have any relationship with any other Directors, senior management, substantial Shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; (d) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the section headed "Statutory and general information — C. Further information about our Directors and substantial Shareholders — 1. Interests and/or short positions of our Directors and chief executive in the Shares, underlying Shares and debentures of our Company or its associated corporations" in Appendix V to this prospectus; (e) he/she does not have any interest in any business which competes or is likely to compete, directly or indirectly, with us, which is discloseable under the Listing Rules; and (f) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no additional information relating to our Directors or senior management that was required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and no other matter with respect to their appointments that needed to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Zhang Wenzhi (張文志), age 47, is one of the founders and Controlling Shareholders of our Group and is currently the deputy general manager of the procurement department of our Group. Mr. Zhang is not a director of the Company due to his own preference. Mr. Zhang is primarily responsible for administering and coordinating the procurement process of our Group.

Mr. Zhang has over 21 years of experience in the household necessity product industry. Mr. Zhang began his career in 1999 in the production department of Hangzhou Dalong Plastic Company Limited* (杭州達隆塑膠有限公司), a company primarily engaged in production of plastic household products, and was responsible for overseeing the production process. From 2001 to 2004, Mr. Zhang worked in the production department of Hangzhou Yajie Household Products Company Limited* (杭州亞潔日用品有限公司), a company primarily engaged in production of household necessity products, and was responsible for overseeing the production process.

Mr. Zhang obtained his certificate in business administration from Zhejiang Radio & TV University* (浙江廣播電視大學) in China in June 2002.

Mr. Zhang was a director, supervisor or manager of the following companies prior to their respective dissolution:

Name of company	Place and date of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Shanghai Dafu Decoration Materials Co., Ltd* (上海達富裝飾材料有限公司)	PRC, 5 January 1998	Sales of building materials, decoration materials, metal materials and others	11 December 2000	Revocation of business licence	Ceased to carry out business and did not attend to annual inspection
Shanghai Yuanlin Dafu Plastics Co., Ltd* (上海園林達富塑膠有限公司)	PRC, 11 February 1999	No business activities	11 December 2000	Revocation of business licence	No business activities and did not attend to annual inspection

Name of company	Place and date of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Hangzhou Economic and Technological Development Zone Dafu Building Decoration Materials Co., Ltd* (杭州經濟技術開發區達富建築裝飾材料有限公司)	PRC, 19 December 1996	Wholesale and retail of building materials, decoration materials, plastic products and others	30 October 2001	Revocation of business licence	Ceased to carry out business and did not attend to annual inspection
Shanghai Dafu Cleaning Products Co., Ltd First Branch* (上海達富清潔用品有限公司第一分公司)	PRC, 6 August 2003	Sales of plastic cleaning products	8 December 2005	Revocation of business licence	Ceased to carry out business and did not attend to annual inspection

Mr. Zhang confirmed the above companies were solvent with no outstanding liabilities arising from any material non-compliance incidents, claims, litigations or proceedings arising from their operations immediately prior to their dissolutions and there was no wrongful act on his part leading to their dissolutions.

Mr. Zhang does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Ms. Dai Linxian (戴林仙), age 51, joined our Group in October 2011 and is currently our financial manager. Ms. Dai is primarily responsible for overseeing the financial management and accounting matters of our Group.

Ms. Dai has over 28 years of experience in the accounting practice. From December 1992 to August 2003, Ms. Dai worked as a cost accountant in Xinshi Colour Printing Factory* (新市彩印蠟紙廠) and was responsible for cost accounting and budgeting. From March 2001 to October 2011, Ms. Dai worked in Deqing Nongken Juanfang Co. Ltd* (德清縣農墾絹紡有限責任公司) as an account manager and was responsible for the overall management of financial and accounting matters. From December 2006 to October 2011, Ms. Dai was also the supervisor of Deqing Hongsen Electric Automotive Parts Manufacturing Co., Ltd* (德清宏森電動車配件製造有限公司) and was responsible for accounting and tax filing.

Ms. Dai obtained her certificate in accounting from Zhejiang University of Technology* (浙江工業大學) in China in July 2002.

Ms. Dai does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. Lam Shi Ping (林仕萍) is one of the joint company secretaries of our Company and was appointed on 23 April 2020 by an engagement letter made between the Company and Boardroom Corporate Services (HK) Limited dated 4 June 2019, pursuant to which the latter has agreed to provide certain corporate secretarial services to the Company. Ms. Lam has over 10 years of experience in company secretarial field, which is gained from her working experience with various companies listed in Hong Kong.

Ms. Lam has been an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom since April 2015. Ms. Lam graduated from the Australian Institute for University Studies with a diploma of commerce in December 2001. She further obtained a bachelor's degree of business administration from Curtin University of Technology in July 2003 and a master's degree of corporate governance from the Hong Kong Polytechnic University in October 2014.

Mr. Leung Man Hang (梁敏行) is one of the joint company secretaries of our Company and was appointed on 23 April 2020. Mr. Leung has over nine years of experience in audit and accounting. From September 2012 to April 2015, Mr. Leung worked as an associate in Victor W. N. Ngai & Co. and was principally responsible for handling assurance and accounting matters. From May 2015 to December 2015, Mr. Leung worked as a semi-senior associate in CCS & Company, Certified Public Accountants and was principally responsible for the planning and execution of audit fieldwork. He has been an audit manager of Sinno International CPA Limited since January 2016 and is principally responsible for managing the auditing and accounting teams of the same.

Mr. Leung has been a member of the Hong Kong Institute of Certified Public Accountants since October 2019. Mr. Leung graduated from Hong Kong Shue Yan University with a bachelor's degree of commerce (Hons) in accounting in July 2012.

Ms. Lam and Mr. Leung will be assigned with different responsibilities as our joint company secretaries. Ms. Lam, with over 10 years of experience in company secretarial field, is the authorised representative of the Company. She will be focusing on advising our Board on compliance related matters and be primarily responsible for (i) assisting our Board in complying with statutory filing requirements, regulatory requirements and the continuing obligations of the

Listing Rules and the Takeovers Code; (ii) monitoring all relevant legislative, regulatory, and corporate governance updates which are relevant to our Group's operations; and (iii) arranging for convening annual general meetings, general meetings and preparing the agenda to be considered at the meetings. Mr. Leung, with nine years of experience in audit and accounting and being a member of the Hong Kong Institute of Certified Public Accountants, will be responsible for (i) assisting our Group in preparing management accounts with due regard to the requirements under the HKFRS; (ii) reviewing our overall tax position and handling tax related matters including the preparation of tax returns of our Group's subsidiaries in Hong Kong; and (iii) assisting the Board in liaising with potential investors and other professional working parties in Hong Kong upon Listing.

Our joint company secretaries have not been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

BOARD COMMITTEES

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. Our audit committee consists of three members, comprising all the independent non-executive Directors, namely Ms. Kung On Yee Annet, Mr. Guan Yuchun and Mr. Zhao Xiaoming. Ms. Kung On Yee Annet is the chairman of our audit committee.

The primary duties of the audit committee are mainly (i) to review and supervise the financial reporting process and to oversee the audit process of our Group; (ii) to oversee internal control procedures and corporate governance of our Group; (iii) to supervise internal control systems of our Group; and (iv) and to monitor any continuing connected transactions.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. Our remuneration committee consists of three members, namely Mr. Zhao Xiaoming, Mr. Guan Yuchun and Mr. Zhu. Mr. Zhao Xiaoming is the chairman of our remuneration committee.

The primary duties of the remuneration committee are mainly (i) to develop a transparent policy in relation to remuneration; (ii) to review the remuneration policy and the structure relating to all Directors and senior management of our Group; (iii) to review the remuneration of our

Directors and senior management of our Group based on their performance; and (iv) to make recommendations on other remuneration-related arrangement, such as, housing allowance and bonuses payable to Directors and senior management of our Group.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code. Our nomination committee consists of three members, namely Mr. Zhu, Ms. Kung On Yee Annet and Mr. Guan Yuchun. Mr. Zhu is the chairman of our nomination committee.

The primary duties of the nomination committee are (i) to review the structure, size and composition of our Board on a regular basis; (ii) to make recommendations to our Board relating to the appointment and removal of Directors; (iii) to identify individuals suitably qualified to become members of our Board; and (iv) to assess the independence of our independent non-executive Directors.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

For each of the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, the total remuneration (including salaries and discretionary bonus, retirement benefit scheme contributions and other benefits) paid by us to our Directors amounted to approximately RMB1.0 million, RMB1.1 million, RMB1.0 million and RMB0.5 million, respectively. The aggregate emoluments (including salaries, discretionary bonus, retirement benefit scheme contributions and other benefits) of the five highest individuals of our Group, excluding our Directors, were approximately RMB0.5 million, RMB0.7 million, RMB0.7 million and RMB0.3 million, respectively.

Under the arrangements currently in force, the aggregate remuneration (including benefits in kind but excluding any commission or discretionary bonus) to be paid by us to our Directors for the years ending 31 December 2021, 2022 and 2023 is estimated to be approximately RMB1.5 million, RMB3.1 million and RMB3.1 million, respectively. Such increase in our Directors' remuneration is commensurate with the additional works and duties to be taken up by our executive Directors before and after the Listing and our non-executive Directors and independent non-executive Directors after the Listing, which would include, among others, duties for compliance matters relating to the Listing Rules and all other laws and regulations and the additional work relating to the implementation of our expansion plans with the proceeds from the Listing.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us, or receivable by, our Directors, former Directors, or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

Save as disclosed in this prospectus, no other payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period.

None of our Directors had waived or agreed to waive any remuneration during the Track Record Period.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

CORPORATE GOVERNANCE

Our Company intends to comply with all the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the Listing. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report, which will be included in our annual reports subsequent to the Listing.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board with reference to our board diversity policy.

Our nomination committee is responsible for ensuring the diversity of our Board. After the Listing, our nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of household products manufacturing, business management, legal, auditing and accounting. We have three independent non-executive Directors with different backgrounds, representing more than one-third of the members of our Board. Our Directors, with two females and five males, range from 25 years old to 64 years old and are able to bring a balance of diversity perspectives to our Board. We will take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels. While we recognise that gender diversity at the Board level can be improved given its current composition of a majority of male Directors, we will continue to apply the principle of appointments based on merits with reference to our board diversity policy as a whole.

Upon the Listing, two out of seven of our Directors are female. Under the objectives of the board diversity policy, we will give preference to female candidates on the succession planning of Directors. We intend to appoint at least one additional female to our Board and achieve a target gender ratio of at least one-third of our Board are female Directors by 31 December 2022. We will ensure there is gender diversity when recruiting staff for middle to senior level so that we will have a pipeline of female senior management and potential successors to our Board in near future and engage more resources in training female staff who have long and relevant experience in our business, with the aim of promoting them to the senior management or directorship of our Group, noting that we currently already have one female senior management member. As female representation in senior roles throughout the industry and the pool of qualified females keeps growing, we expect to have more female members who would be qualified to sit on our Board in the future.

COMPLIANCE ADVISER

We have appointed Giraffe Capital Limited as our compliance adviser in accordance with Rule 3A.19 of the Listing Rules. The term of appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing. The compliance adviser fee payable to Giraffe Capital Limited shall be HK$780,000 per annum.

Pursuant to Rule 3A.23 of the Listing Rules and the terms of the agreement with our compliance adviser, we will consult with and, if necessary, seek advice from our compliance adviser in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues or share repurchase;

(iii) where we propose to use the net proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry to our Company under Rule 13.10 of the Listing Rules.

SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately after the Capitalisation Issue and the Global Offering (without taking into account of any Share which may be issued upon exercise of the Over-allotment Option):

Authorised share capital

		HK$
10,000,000,000	Shares of par value HK$0.01 each	100,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering

		HK$
300	Shares in issue immediately prior to the Capitalisation Issue and the Global Offering	3
374,999,700	Shares to be issued under the Capitalisation Issue	3,749,997
125,000,000	Shares to be issued under the Global Offering	1,250,000
500,000,000	Total	5,000,000

Assumptions

The above table assumes that the Global Offering has become unconditional and the issue of Offer Shares pursuant thereto is made as described herein. It does not take into account: (i) any Share which may be allotted and issued pursuant to the exercise of the Over-allotment Option; (ii) any Share which may be allotted and issued pursuant to the issuing mandate (as described below); or (iii) any Share which may be repurchased by our Company pursuant to the repurchase mandate (as described below).

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 125,000,000 Offer Shares represent 25% of the issued share capital of our Company upon the Listing.

RANKING

The Offer Shares will rank *pari passu* in all respects with all of the Shares now in issue or to be issued as mentioned in this prospectus, and in particular, will rank in full for all dividends or other distributions hereafter declared, made or paid on the Shares on or after the date on which they are issued, save for any entitlement to the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our sole Shareholder passed on 12 October 2021 and subject to the conditions set out therein, our Directors were authorised to allot and issue a total of 374,999,700 Shares credited as fully paid at par to the Shareholders whose names appear on the register of members of our Company at the close of business on 11 November 2021 by way of capitalisation of an amount of HK$3,749,997 standing to the credit of the share premium account of our Company. The Shares so allotted and issued shall rank *pari passu* in all respects with the existing issued Shares. For further details, please see the paragraphs headed "A. Further information about our Group — 3. Written resolutions of our sole Shareholder passed on 12 October 2021" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general and unconditional mandate to allot, issue and deal with Shares with a total number not exceeding:

(i) 20% of the number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (not including any Share which may be allotted and issued pursuant to the Over-allotment Option); and

(ii) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of subscription rights attaching to share options under any share option scheme or similar arrangement for the time being adopted.

The issuing mandate will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which our Company is required by the Articles or any applicable law to hold our next annual general meeting; or

(iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate.

Further details of this issuing mandate are contained in the paragraphs headed "A. Further information about our Group — 3. Written resolutions of our sole Shareholder passed on 12 October 2021" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general and unconditional mandate to exercise all the powers of our Company to repurchase Shares on the Stock Exchange with a total number not more than 10% of the number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (not including any Share which may be allotted and issued pursuant to the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange and such repurchases shall be made in accordance with the requirements of the Listing Rules, the Articles and all applicable laws, regulations and rules. A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further information about our Group — 7. Repurchase by our Company of our own securities" in Appendix V to this prospectus.

The repurchase mandate will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which our Company is required by the Articles or any applicable law to hold our next annual general meeting; or

(iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate.

Further details of this repurchase mandate are contained in the paragraphs headed "A. Further information about our Group — 3. Written resolutions of our sole Shareholder passed on 12 October 2021" and "A. Further information about our Group — 7. Repurchase by our Company of our own securities" in Appendix V to this prospectus.

SHARE OPTION SCHEME

As at the Latest Practicable Date, our Company has not adopted any share option scheme.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please refer to Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

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

		As at the date of submission of the application proof prospectus		Upon completion of the Capitalisation Issue and the Global Offering *(Note 1)*	
Name	**Capacity**	**Class and number of securities held** *(Note 2)*	**Approximate percentage of the company concerned**	**Class and number of securities held** *(Note 2)*	**Approximate percentage of the company concerned**
Beautiful Homeland *(Note 3)*	Beneficial owner	300 ordinary shares (L)	100%	375,000,000 (L)	75%
Mr. Zhu	Interest of controlled corporation *(Note 4)*	300 ordinary shares (L)	100%	375,000,000 (L)	75%
Ms. Lou	Interest of spouse *(Note 5)*	300 ordinary shares (L)	100%	375,000,000 (L)	75%
Mr. Fang	Interest of controlled corporation *(Note 4)*	300 ordinary shares (L)	100%	375,000,000 (L)	75%
Ms. Xu Yu	Interest of spouse *(Note 6)*	300 ordinary shares (L)	100%	375,000,000 (L)	75%
Mr. Mao	Interest of controlled corporation *(Note 4)*	300 ordinary shares (L)	100%	375,000,000 (L)	75%
Ms. Liang Suli	Interest of spouse *(Note 7)*	300 ordinary shares (L)	100%	375,000,000 (L)	75%
Mr. Zhang	Interest of controlled corporation *(Note 4)*	300 ordinary shares (L)	100%	375,000,000 (L)	75%
Ms. Lyu Qingqing	Interest of spouse *(Note 8)*	300 ordinary shares (L)	100%	375,000,000 (L)	75%

Notes:

1. Without taking into account of any Share which may be issued upon exercise of the Over-allotment Option.

2. The letter "L" denotes the entity/person's long position in the Shares.

3. As at the Latest Practicable Date, Beautiful Homeland was owned as to 70% by Mr. Zhu and 10% by each of Mr. Fang, Mr. Mao and Mr. Zhang.

4. Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang entered into the Deed of Concert Parties, pursuant to which, among others, the parties confirmed that they have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries and that it is their intention to continue to act in the above manner upon the Listing. Accordingly, Beautiful Homeland is deemed to be accustomed and/or obliged to act in accordance with their directions and/or instructions and that each of Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang is deemed to be interested in all the Shares held by Beautiful Homeland under the SFO. For details, please refer to "Relationship with our Controlling Shareholders — Controlling Shareholders".

5. Ms. Lou is the spouse of Mr. Zhu and is deemed, under the SFO, to be interested in all the Shares that Mr. Zhu is interested in.

6. Ms. Xu Yu is the spouse of Mr. Fang and is deemed, under the SFO, to be interested in all the Shares that Mr. Fang is interested in.

7. Ms. Liang Suli is the spouse of Mr. Mao and is deemed, under the SFO, to be interested in all the Shares that Mr. Mao is interested in.

8. Ms. Lyu Qingqing is the spouse of Mr. Zhang and is deemed, under the SFO, to be interested in all the Shares that Mr. Zhang is interested in.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account of any Share which may be issued upon exercise of the Over-allotment Option), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our Company's consolidated financial statements have been prepared in accordance with the HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Company in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Company believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Company's expectations and projections will depend on a number of risks and uncertainties over which our Company does not have control. For further information, you should refer to the section "Risk factors" in this prospectus.

OVERVIEW

We are principally engaged in the design, development, manufacture and sale of a wide variety of (i) laundry products; (ii) household cleaning tools; and (iii) kitchen gadgets, which are common items of household necessity products. Our revenue increased from approximately RMB328.7 million for the year ended 31 December 2018 to approximately RMB336.6 million for the year ended 31 December 2019 and further to approximately RMB384.7 million for the year ended 31 December 2020. Our revenue increased from approximately RMB112.8 million for the four months ended 30 April 2020 to approximately RMB126.2 million for the four months ended 30 April 2021.

During the Track Record Period, our products are mainly manufactured and sold to international brand owners or their authorised agents on an OEM or ODM basis for resale as wholesaler or retailer in overseas markets. According to the CIC Report, we ranked second in terms of export revenue in the drying rack manufacturing market in the PRC in 2020 with a market share of approximately 6.6%.

Our products are primarily manufactured and sold under an OEM or ODM basis. Our OEM business involves the manufacture and sale of products based on customers specifications and guidelines. During the Track Record Period, our OEM products contributed the largest share of our total revenue, which amounted for approximately 75.5%, 73.9%, 76.6% and 74.1%, respectively.

Our adjusted net profits for the year, which eliminated impacts of non-recurring items as non-HKFRS measures that we do not consider to be indicative of our operating performance, including Listing expenses, amounted to approximately RMB41.0 million, RMB40.0 million, RMB53.9 million and RMB13.1 million for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, respectively, and our adjusted net profit margins, which were non-HKFRS measures, were approximately 12.5%, 11.9%, 14.0% and 10.4%, respectively.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as set out in the paragraph headed "History, Reorganisation and corporate structure — Reorganisation" in this prospectus, the Company became the holding company of the companies now comprising the Group on 22 July 2019.

The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of the preparation of the Group's Historical Financial Information, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. Our Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the Track Record Period, which include the financial performance, changes in equity and cash flows of the companies now comprising our Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as if the current group structure had been in existence throughout the years ended 31 December 2018 and 2019, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position as at 31 December 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group using the existing book values from the Controlling Shareholders perspective as if the current group structure had been in existence as at those respective dates. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company and the major operating subsidiary in the PRC, BHP Zhejiang.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Group's financial condition and results of operations have been and will continue to be affected by a number of factors, including those set out below:

General economic conditions and consumer demand for our products overseas

As a majority of our sales delivered overseas, the economic conditions in these overseas markets abroad which include the United States, the United Kingdom, Germany and Australia, may have a significant effect on our financial condition and results of operations. Economic conditions in these regions, including levels of consumer spending and disposable income, affect our customers' spending and, in turn, the demand for our products. Therefore, any change in economic conditions in these regions may affect our financial condition and results of operations. According to the CIC Report, the economies in most developed countries, including the United States, Germany and Australia, have experienced steady growth in the past five years. The continuous rise of household income and number or households will stimulate overall household expenditure which, according to the CIC Report, will drive people to spend more on household necessity products more frequently, positively affecting our financial condition and results of operations. However, there are many macro and micro factors that may affect consumer spending in the overseas and the PRC markets that are beyond our control, including but not limited to member of households, household income and expenditure, and population size etc.. Any decline in the general economic conditions in the overseas market may result in decrease in orders from our customers in such market and potential delay and/or default in payment. For more information on the general economic conditions and demand for laundry products, households cleaning tools and kitchen gadgets in the overseas market to which our products are mainly delivered to, please refer to the section headed "Industry overview" in this prospectus.

Our business is subject to international trade policies and trade barriers

Our businesses are export-oriented and our products are predominantly delivered for sale in the United States, the United Kingdom, Germany and Australia. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, sales delivered to these countries contributed in aggregate approximately RMB302.5 million, RMB310.9 million, RMB342.0 million and RMB104.6 million, respectively, accounting for approximately 92.0%, 92.3%, 88.9% and 82.8% of our total revenue, respectively, of which approximately 44.9%, 44.4%, 46.3% and 26.9% of our total revenue was contributed by the sales delivered to the United States, respectively. Our Directors expect that the United States, the United Kingdom, Germany and Australia will continue to be the principal markets of our Group. Hence, our export sales are generally subject to certain inherent risks, including exposure to local, economic, political and labour conditions; changes in laws, regulations, industry standards, trade, monetary or fiscal policy; tariffs, quotas, customs and other import or export restrictions and other trade barriers such as anti-dumping; and compliance with the requirement of applicable anti-bribery and related laws and regulations. These uncertainties could have a material adverse effect on our business, results of operations and financial condition. Hence, any international trade policies and trade barriers such as anti-dumping duties, tariffs or quota fees imposed by the United States, and the trade war involving our products could significantly increase the prices of our products in the United States. Changes to trade policies, treaties and tariffs in the jurisdictions to which our products are exported, or the perception that these changes could occur, could adversely affect the financial and economic conditions there, as well as our financial condition and results of operations.

The United States has advocated greater restrictions on trade generally and significant increases on duties on goods imported into the United States, particularly from the PRC, and has recently taken steps toward restricting trade in certain goods. As advised by our legal advisers as to United States laws, nearly all of our Group's products sold to the United States appear to be subject to an additional duty of 7.5% or 25%.

During the Track Record Period, as our sales delivered to the United States contributed approximately 44.9%, 44.4%, 46.3% and 26.9% of our total revenue, respectively, these duties may have an adverse impact on our Group's business operation and financial results. If we were not able to pass additional costs on to our customers, our sales margins could be adversely affected, which could adversely affect our financial position, business or results of operations. For the potential impact of the additional duty of 7.5% or 25% on our Group's revenue and net profit during the Track Record Period, assuming that (i) the corresponding duty rates were applied during the Track Record Period, (ii) no measures were adopted to mitigate any impact arising from such US additional duty; and (iii) our Group took up all such US additional duty by way of price reduction negotiations with our customers for purchasing products subject to the US duties, please refer to the section headed "Business — Analysis of hypothetical impact on the revenue and profit of our Group if all additional US duties is borne by us" in this prospectus for a sensitivity analysis of the hypothetical fluctuations arising from the US additional duties on our Group's revenue and net profit in the above circumstances. It is uncertain as to what actions other governments, including the PRC government, may take in retaliation. These duties could potentially decrease the demand for our products and materially and adversely affect our business, financial condition and results of operations. In addition, these developments could have a material adverse effect on global economic conditions and the stability of global financial markets which may affect our ability to obtain financing and the cost at which we obtain financing. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Fluctuation in direct costs

Our cost of sales mainly include the cost of raw materials and other labour cost. The cost of purchase of polypropylene resins, steel, textiles and packaging materials represents a significant part of our cost of raw materials. The cost of the raw materials we use to produce our products are subject to market force. During the Track Record Period, the cost of raw materials accounted for approximately 66.9%, 65.1%, 67.5% and 61.7% of our cost of sales, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021. Any significant increase in the prices of raw materials could affect our gross profit margin if we could not pass on the cost increase to our customers.

We control our cost of sales by implementing controls on the cost of raw materials. We do not enter into any long term purchase agreements with our suppliers of raw materials and we purchase most of our raw materials mainly based on the purchase orders placed by our customers. We select our suppliers from our list of approved suppliers, which comprises over 300 suppliers approved by us, and usually obtain quotations from two to three approved suppliers from the said list.

Based on our best estimates, for illustrative purpose only, the following sensitivity analysis table sets out the impacts of the hypothetical changes of the profit before tax during the Track Record Period in relation to the percentage changes to (i) selling price; (ii) cost of raw materials and (iii) direct labour costs, assuming all other factors remained unchanged, based on the historical fluctuations during the Track Record Period:

	Hypothetical change in profit before tax			
	Year ended 31 December			**Four months ended 30 April**
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Percentage change in selling price				
15%/(15%)	49,312/(49,312)	50,483/(50,483)	57,711/(57,711)	18,936/(18,936)
10%/(10%)	32,875/(32,875)	33,655/(33,655)	38,474/(38,474)	12,624/(12,624)
5%/(5%)	16,437/(16,437)	16,828/(16,828)	19,237/(19,237)	6,312/(6,312)

	Hypothetical change in profit before tax			
	Year ended 31 December			Four months ended 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Percentage change in cost of raw materials				
15%/(15%)	(23,852)/23,852	(23,641)/23,641	(27,395)/27,395	(8,458)/8,458
10%/(10%)	(15,901)/15,901	(15,761)/15,761	(18,264)/18,264	(5,639)/5,639
5%/(5%)	(7,951)/7,951	(7,880)/7,880	(9,132)/9,132	(2,819)/2,819
Percentage change in direct labour costs				
15%/(15%)	(5,672)/5,672	(6,475)/6,475	(6,957)/6,957	(2,673)/2,673
10%/(10%)	(3,781)/3,781	(4,317)/4,317	(4,638)/4,638	(1,782)/1,782
5%/(5%)	(1,891)/1,891	(2,158)/2,158	(2,319)/2,319	(891)/891

Product mix and specifications

Our products sold during the Track Record Period could be broadly categorised into (i) laundry products; (ii) household cleaning tools; and (iii) kitchen gadgets. Different products have different gross profit margins depending on factors such as raw material costs, production costs and product pricing. The ability to offer a diversified range of products with different specifications (e.g. colour and functions) is one of the essential factors for us to compete against other manufacturers in the PRC. As a result, our overall gross profit margin, so as our competitiveness in different products will vary depending on product mix across segments, which in turn, depends on our ability to expand our product offerings and to diversify our product mix. We intend to continue to optimise our product portfolio in response to the changes in market conditions and consumer preferences to maximise sales and profits.

Production capacity and utilisation rate

Our results of operations have been and are expected to continue to be affected by our production capacity. The effective designed capacity is estimated based on the production of the most common type of model of our laundry products, household cleaning tools and kitchen gadgets as the standardised model and taking into account the difference in the manufacturing time for other models of our products of the same category. We plan to enhance our existing Huzhou Production Plant with a view to increasing our production capacity and level of automation with the net proceeds from the Global Offering.

During the Track Record Period, the utilisation rates of our plastic injection machines for laundry products and household cleaning tools ranged from 91.0% to 99.1%.

If our production capacity is being utilised at its highest level, we may need to give up further sales orders and hence damage our reputation, forego growth opportunities and lose the trust of our customer. On the other hand, if utilisation rate of our production machinery and equipment is too low, the fixed costs in operating our production machinery and equipment may not be covered by the profit and adversely affect our results of operations.

For additional information regarding the expansion plan, please refer to the paragraphs headed "Business — Our business strategies" and "Business — Production facility — New production facility in the New Production Plant" in this prospectus.

Exchange rate fluctuations

Our sales are mainly denominated in US$. Our cost of sales and operating expenses are mainly denominated in RMB. Our profit margins will be adversely affected to the extent that we are unable to increase the selling prices of our products denominated in US$ to offset any appreciation of RMB against US$ in order to maintain our competitiveness.

Our Group's exposure to foreign currency risk primarily arises from our overseas sales, bank balances, pledged bank deposits and bank borrowings which are primarily denominated in US$, of which the functional currency of our Group entities related to these transactions is not US$.

As at each reporting date, US$ denominated financial assets and liabilities translated into RMB at the respective closing rates, were as follows:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	66,339	50,222	69,430	66,916
Cash and cash equivalents	7,227	13,247	50,580	53,981
Pledged bank deposits	6,932	6,348	1,116	1,649
Bank borrowings	(24,287)	(26,665)	(15,862)	(17,776)
Net exposure arising from recognised assets and liabilities	**56,211**	**43,152**	**105,264**	**104,770**

The table below sets forth the effects of the fluctuation in foreign exchange rates on our financial performance during the Track Record Period:

	For the years ended 31 December			For the four months ended 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unrealised gain on foreign exchange forward contracts	4	1,053	1,576	809
Realised (loss)/gain on foreign exchange forward contracts	(380)	(1,264)	2,248	(937)
Net foreign exchange gain/(loss)	4,839	1,728	(7,940)	(1,478)
Net increase/(decrease) in net profit (before adjustment of tax effect)	**4,463**	**1,517**	**(4,116)**	**(1,606)**
Net increase/(decrease) in net profit (after adjustment of tax effect)	**3,348**	**1,401**	**(2,693)**	**(1,002)**

For further details, please refer to the paragraphs headed "Principal components of consolidated statements of profit or loss and other comprehensive income — Other (losses)/gains, net" in this prospectus.

The following table illustrates the sensitivity of our Group's profit after income tax for the year/period and retained profits regarding appreciation or depreciation in our Group entities' functional currencies against USD. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents our management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease/(increase) in profit for the year/period	Decrease/(increase) in retained profits
		RMB'000	*RMB'000*
Year ended 31 December 2018	+/-5%	2,108	2,108
Year ended 31 December 2019	+/-5%	1,618	1,618
Year ended 31 December 2020	+/-5%	3,947	3,947
Four months ended 30 April 2021	+/-5%	3,929	3,929

For further details, please refer to note 33.2 to the Accountants' Report set out in Appendix I to this document.

SIGNIFICANT ACCOUNTING POLICIES

The financial information of our Group has been prepared in accordance with accounting policies which conform with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in note 2 to the Accountants' Report set out in Appendix I to this prospectus.

Certain critical accounting policies, judgement and estimates that are significant to the preparation of our consolidated financial information and are important for an understanding of our financial position and results of operation are described below:

Revenue recognition

Revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflect the consideration to which the Group expects to be entitled in exchange for those goods and services. Our Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Details of our Group's revenue and other income recognition policies are as follows:

Revenue from the sales of laundry products, household cleaning tools and kitchen gadgets for a fixed fee is recognised when the Group transfers control of the assets to the customer in which the control is transferred at the point in time the customer takes undisputed delivery of the goods. Revenue from sales of laundry products, household cleaning tools and kitchen gadgets excludes value-added tax or other sales taxes.

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend income is recognised when the shareholder's right to receive payment is established.

Rental income is recognised on a straight-line basis over the term of lease.

Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation on items of property, plant and equipment other than construction in progress is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method as follows:

Buildings	20 years
Machinery and production equipment	2 to 10 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	4 years
Leasehold improvements	3 to 5 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all cost of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, and is determined by using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Impairment of financial assets

HKFRS 9's impairment requirements use more forward-looking information to recognise expected credit loss ("**ECL**") — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables and contract assets recognised and measured under HKFRS 15.

Our Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due status.

Our Group measures the loss allowance for other receivables and amounts due from related parties equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at each reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Impairment of other non-financial assets

Property, plant and equipment, right-of-use assets, intangible assets and interests in subsidiaries in the Company's statement of financial position are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Foreign currency translation

In the individual financial statements of the combined/consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of our Group's significant accounting judgements and estimates, which are described in note 3 to the Accountants' Report set out in Appendix I to this prospectus, the preparation of our Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

OPERATING RESULTS OF OUR GROUP

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021.

Consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	328,748	336,553	384,740	112,842	126,240
Cost of sales	(237,729)	(242,124)	(270,452)	(76,553)	(91,417)
Gross profit	91,019	94,429	114,288	36,289	34,823
Other income	3,051	3,581	4,639	1,229	913
Selling and distribution expenses	(17,566)	(14,978)	(15,228)	(4,512)	(5,403)
Administrative and other operating expenses	(24,221)	(28,180)	(26,447)	(9,053)	(11,438)
Listing expenses	—	(5,974)	(7,683)	(3,286)	(1,184)
Finance costs	(624)	(718)	(334)	(241)	(42)
Other gains/(losses), net	4,244	1,628	(3,957)	(480)	(1,465)
Share of results of a joint venture	62	22	—	—	—
Profit before income tax	55,965	49,810	65,278	19,946	16,204
Income tax expense	(14,969)	(15,753)	(19,026)	(6,100)	(4,314)
Profit for the year/period	40,996	34,057	46,252	13,846	11,890
Other comprehensive (expense)/income, net of tax					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	(874)	(382)	110	155	661
Item that will not be reclassified subsequently to profit or loss:					
Financial assets at fair value through other comprehensive income — net movement in fair value reserves (non-recycling)	17	49	353	281	(209)
Other comprehensive (expense)/income for the year/period	(857)	(333)	463	436	452
Total comprehensive income for the year/period	40,139	33,724	46,715	14,282	12,342

NON-HKFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted net profits as non-HKFRS measures, which is not required by, or presented in accordance with, HKFRS. We believe that these non-HKFRS measures facilitate comparison of operating performance from period to period by eliminating impacts of non-recurring items that we do not consider to be indicative of our operating performance, including Listing expenses.

The table below sets out the adjusted net profit in each respective period during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profits for the year/period	40,996	34,057	46,252	13,846	11,890
Add: Listing expenses	—	5,974	7,683	3,286	1,184
Adjusted net profit for the year/period	40,996	40,031	53,935	17,132	13,074

We believe that these non-HKFRS measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods. The use of these non-HKFRS measures has limitations as an analytical tool, as such, they should not be considered in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was principally derived from the sales of (i) laundry products; (ii) household cleaning tools; and (iii) kitchen gadgets to overseas markets.

Breakdown of revenue by product type

The table below sets forth the breakdown of our revenue, sales volume and average selling price by product types for the years/periods indicated:

	For the year ended 31 December												For the four months ended 30 April							
	2018				2019				2020				2020				2021			
	Revenue	% of total revenue	Sales volume	Average selling price	Revenue	% of total revenue	Sales volume	Average selling price	Revenue	% of total revenue	Sales volume	Average selling price	Revenue	% of total revenue	Sales volume	Average selling price	Revenue	% of total revenue	Sales volume	Average selling price
	RMB'000		*'000 unit*	*RMB*	*RMB'000*		*'000 unit*	*RMB*	*RMB'000*		*'000 unit*	*RMB*	*RMB'000* (unaudited)		*'000 unit*	*RMB*	*RMB'000*		*'000 unit*	*RMB*
Laundry products	159,029	48.4	5,498	28.9	165,008	49.1	5,707	28.9	176,963	46.0	6,943	25.5	69,075	61.2	2,326	29.7	78,471	62.2	2,289	34.3
Household cleaning tools	164,386	50.0	19,043	8.6	166,712	49.5	17,562	9.5	192,025	49.9	21,632	8.9	41,018	36.3	4,633	8.9	46,452	36.8	6,010	7.7
Kitchen gadgets	5,333	1.6	244	21.9	4,833	1.4	205	23.6	15,752	4.1	654	24.1	2,749	2.5	118	23.3	1,317	1.0	67	19.7
Total	**328,748**	**100**	**24,785**		**336,553**	**100**	**23,474**		**384,740**	**100**	**29,229**		**112,842**	**100**	**7,077**		**126,240**	**100**	**8,366**	

Revenue attributable to the sales of our products amounted to approximately RMB328.7 million, RMB336.6 million and RMB384.7 million, respectively, for the years ended 31 December 2018, 2019 and 2020. Our revenue increased from approximately RMB112.8 million for the four months ended 30 April 2020 to RMB126.2 million for the four months ended 30 April 2021. Our revenue was mainly derived from the sales of laundry products and household cleaning tools.

Laundry products

Revenue attributable to the sales of laundry products mainly refer to the sales of rotary drying racks, foldable/upright drying racks, wall-mounted drying racks and other laundry products. Our revenue of laundry products contributed approximately RMB159.0 million, RMB165.0 million, RMB177.0 million and RMB78.5 million, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, representing 48.4%, 49.1%, 46.0% and 62.2%, respectively, of our total revenue over the same year/period. Our revenue attributable to the sales of laundry products was mainly derived from the United Kingdom, Germany and Australia, representing an aggregate of approximately 85.1%, 86.2%, 79.2% and 75.6% of our total revenue of laundry products, respectively, during the Track Record Period. For further details of our revenue of laundry products, please refer to the paragraphs headed "Period to period comparison of results of operations" in this section.

The table below sets forth the breakdown of revenue from the sale of laundry products classified by key product items for the Track Record Period:

	For the year ended 31 December									For the four months ended 30 April					
	2018			2019			2020			2020			2021		
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	RMB'000	*'000 unit*	*RMB*	*RMB'000*	*'000 unit*	*RMB*	*RMB'000*	*'000 unit*	*RMB*	*RMB'000* (unaudited)	*'000 unit*	*RMB*	*RMB'000*	*'000 unit*	*RMB*
Foldable/upright drying racks	55,686	1,477	37.7	52,517	1,472	35.7	47,852	1,114	43.0	19,824	503	39.4	19,179	360	53.3
Rotary drying racks	43,351	476	91.1	54,018	607	89.0	61,519	657	93.6	26,745	303	88.3	35,976	365	98.6
Wall-mounted drying racks	9,506	455	20.9	9,424	422	22.3	16,914	579	29.2	5,377	251	21.4	5,097	205	24.9
Others (Note)	50,486	3,090	16.3	49,049	3,206	15.3	50,678	4,593	11.0	17,129	1,269	13.5	18,219	1,359	13.4
Total	**159,029**	**5,498**	**28.9**	**165,008**	**5,707**	**28.9**	**176,963**	**6,943**	**25.5**	**69,075**	**2,326**	**29.7**	**78,471**	**2,289**	**34.3**

Note: Others mainly include auxiliary items such as ground socket screws, airer covers, washing lines and spare parts, etc.

During the Track Record Period, our sales of laundry products were mainly contributed by the sales of (i) foldable/upright drying racks; and (ii) rotary drying racks.

The average selling price of foldable/upright drying racks and rotary drying racks decreased from approximately RMB37.7 per unit and RMB91.1 per unit for the year ended 31 December 2018, to approximately RMB35.7 per unit and RMB89.0 per unit for the year ended 31 December 2019, mainly due to (i) the launch of certain new models, which had relatively lower average selling prices; and (ii) the increase in the sales of the existing products with lower average selling prices.

The average selling price of foldable/upright drying racks and rotary racks further increased to approximately RMB43.0 per unit and RMB93.6 per unit for the year ended 31 December 2020, mainly due to the launch of certain new models, which had relatively higher selling prices.

The average selling price of foldable/upright drying racks and rotary racks increased from approximately RMB39.4 per unit and RMB88.3 per unit for the four months ended 30 April 2020, respectively, to approximately RMB53.3 per unit and RMB98.6 per unit for the four months ended 30 April 2021, mainly due to (i) the launch of certain new models, which had relatively higher selling prices; and (ii) the increase in the sales of the existing products with higher average selling prices.

Household cleaning tools

Revenue attributable to the sales of household cleaning tools mainly refer to the sales of mops, window cleaners and toilet bowl brushes. Our revenue of household cleaning tools contributed approximately RMB164.4 million, RMB166.7 million, RMB192.0 million and RMB46.5 million, respectively, for the years ended 31 December 2018, 2019 and 2020, and four months ended 30 April 2021 representing 50.0%, 49.5%, 49.9% and 36.8%, respectively, of our total revenue over the same year/period. Our revenue attributable to the sales of household cleaning tools was mainly derived from the United States, representing approximately 84.3%, 85.2%, 84.8% and 71.5% of our total revenue of household cleaning tools, respectively, during the Track Record Period. For further details of our revenue of household cleaning tools, please refer to the paragraph headed "Period to period comparison of results of operations" in this section.

The table below sets forth the breakdown of revenue from the sales of household cleaning tools by key product items for the Track Record Period:

	For the year ended 31 December									For the four months ended 30 April					
	2018			2019			2020			2020			2021		
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	RMB'000	*'000 unit*	*RMB*	*RMB'000*	*'000 unit*	*RMB*	*RMB'000*	*'000 unit*	*RMB*	*RMB'000*	*'000 unit*	*RMB*	*RMB'000*	*'000 unit*	*RMB*
										(unaudited)					
Floor cleaning tools	116,761	9,212	12.7	112,457	8,289	13.6	121,578	9,075	13.4	27,835	1,991	14.0	25,443	2,152	11.8
Glass cleaning tools	15,860	2,636	6.0	14,752	2,351	6.3	15,178	2,870	5.3	4,016	863	4.7	4,887	1,033	4.7
Toilet cleaning tools	9,775	1,425	6.9	18,244	2,196	8.3	26,939	3,227	8.3	3,603	518	7.0	4,656	613	7.6
Others [(Note)]	21,990	5,770	3.8	21,259	4,726	4.5	28,330	6,460	4.4	5,564	1,261	4.4	11,466	2,212	5.2
Total	**164,386**	**19,043**	**8.6**	**166,712**	**17,562**	**9.5**	**192,025**	**21,632**	**8.9**	**41,018**	**4,633**	**8.9**	**46,452**	**6,010**	**7.7**

Note: Others mainly include multi-purpose brushes, etc.

Kitchen gadgets

Revenue attributable to the sales of kitchen gadgets mainly refer to the sales of a wide variety of products, including containers, utensils, cooking tools and food processers. Our revenue of kitchen gadgets contributed approximately RMB5.3 million, RMB4.8 million, RMB15.8 million and RMB1.3 million, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, representing 1.6%, 1.4%, 4.1% and 1.0%, respectively, of our total revenue over the same year/period. The increase in revenue of kitchen gadgets for the year ended 31 December 2020 was mainly due to the increase in sales to Customer A. To the best knowledge of our Directors, such increase was mainly due to the increase in demand for kitchen gadgets as more consumers prepare food at home due to the closure of restaurants as a result of the draconian measures against COVID-19 imposed by the local government. For further details of our revenue of kitchen gadgets, please refer to the paragraphs headed "Period to period comparison of results of operations" in this section. Our revenue of kitchen gadgets decreased from RMB2.7 million for the four months ended 30 April 2020 to approximately RMB1.3 million for the four months ended 30 April 2021, which was mainly due to decrease in our sales of kitchen gadgets to Customer A.

Breakdown of revenue by mode of operation

The table below sets forth the breakdown of our revenue and percentage contribution to our total revenue by mode of operation for the Track Record Period:

	For the year ended 31 December						**For the four months ended 30 April**			
	2018		**2019**		**2020**		**2020**		**2021**	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
OEM	248,094	75.5	248,818	73.9	294,702	76.6	81,093	71.8	93,578	74.1
ODM	79,698	24.2	87,354	26.0	87,543	22.8	31,720	28.1	30,935	24.5
OBM	956	0.3	381	0.1	2,495	0.6	29	0.1	1,727	1.4
Total	**328,748**	**100**	**336,553**	**100**	**384,740**	**100**	**112,842**	**100**	**126,240**	**100**

Our products are primarily manufactured and sold under an OEM or ODM basis. In December 2017, we started developing, manufacturing and selling our products under our own brand "*Jia Ji Bao*" (家吉寶). Our revenue of OBM products decreased from approximately RMB1.0 million for the year ended 31 December 2018 to approximately RMB0.4 million for the year ended 31 December 2019 was mainly due to our lack of sales and marketing efforts as we had not yet launched any marketing plans to promote products under our own brand "*Jia Ji Bao*" (家吉寶). Our revenue of OBM products increased from approximately RMB0.4 million for the year ended 31 December 2019 to approximately RMB2.5 million for the year ended 31 December 2020 and our revenue of OBM products increased from approximately RMB29,000 for the four months ended 30 April 2020 to approximately RMB1.7 million for the four months ended 30 April 2021, which was mainly to the launch of our products in the United Kingdom since May 2020.

Our OEM business involves the manufacture and sale of products based on customers specifications and guidelines. During the Track Record Period, our OEM products contributed the largest share of our total revenue, which amounted for approximately 75.5%, 73.9%, 76.6% and 74.1%, respectively. Our ODM products contributed approximately 24.2%, 26.0%, 22.8% and 24.5%, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021. For further details of our mode of operation, please refer to the paragraphs headed “Business — Our business model” in this prospectus.

Breakdown of revenue by customer type

The table below sets forth the breakdown of our revenue and percentage contribution to our total revenue by customer type for the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
Wholesalers	258,231	78.5	268,639	79.8	310,851	80.8	84,041	74.5	91,354	72.3
Retailers	69,561	21.2	67,606	20.1	72,511	18.8	28,261	25.0	34,811	27.6
Others *(Note)*	956	0.3	308	0.1	1,378	0.4	540	0.5	75	0.1
Total	**328,748**	**100**	**336,553**	**100**	**384,740**	**100**	**112,842**	**100**	**126,240**	**100**

Note: Others mainly represented sales through e-shops.

During the Track Record Period, we mainly sold our products to (i) wholesalers, which resell our products and overseas wholesalers which import our products for sale in overseas markets; (ii) retailers, which include chains of multinational supermarkets, department stores and household accessory stores; and (iii) others, which mainly represent sales through e-shops.

Breakdown of revenue by location

The table below sets forth the breakdown of our revenue by destination of delivery for the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
United States	147,544	44.9	149,571	44.4	178,109	46.3	35,572	31.5	33,984	26.9
United Kingdom	62,070	18.9	60,538	18.0	61,593	16.0	26,593	23.6	26,253	20.8
Germany	52,690	16.0	62,740	18.6	61,764	16.1	26,513	23.5	35,202	27.9
Australia	40,156	12.2	38,075	11.3	40,542	10.5	11,065	9.8	9,116	7.2
Others *(Note)*	26,288	8.0	25,629	7.7	42,732	11.1	13,099	11.6	21,685	17.2
Total	**328,748**	**100**	**336,553**	**100**	**384,740**	**100**	**112,842**	**100**	**126,240**	**100**

Note: Others include Austria, Belgium, France, New Zealand, the Netherlands, Canada, etc.

During the Track Record Period, our products were sold to over 20 countries worldwide, with the United States, the United Kingdom, Germany and Australia being the major countries where our products were delivered to.

The United States is our largest market during the Track Record Period. Our revenue increased from approximately RMB147.5 million for the year ended 31 December 2018 to approximately RMB149.6 million for the year ended 31 December 2019, and further to approximately RMB178.1 million for the year ended 31 December 2020, which was mainly due to the increase in our sales of household cleaning tools with relatively higher unit prices to Bradshaw Group in 2019 and 2020. Our revenue decreased from approximately RMB35.6 million to RMB34.0 million, respectively, for the four months ended 30 April 2020 and 2021, which was mainly due to the decrease in our sales of kitchen gadgets to Customer A.

Our revenue attributable to the United Kingdom remained relatively stable at approximately RMB62.1 million, RMB60.5 million and RMB61.6 million, respectively, for the years ended 31 December 2018, 2019 and 2020. Our revenue remained relatively stable at approximately RMB26.6 million and RMB26.3 million, respectively, for the four months ended 30 April 2020 and 2021.

Our revenue attributable to Germany was approximately RMB52.7 million and RMB62.7 million, for the years ended 31 December 2018 and 2019, respectively, which was mainly due to the increase in our sales of laundry products during the Track Record Period. Our revenue remained relatively stable at approximately RMB62.7 million and RMB61.8 million, respectively, for the years ended 31 December 2019 and 2020. Our revenue increased from approximately RMB26.5 million for the four months ended 30 April 2020 to approximately RMB35.2 million for the four months ended 30 April 2021, which was mainly due to the (i) increase in our sales of laundry products to a customer, which is a brand owner, in Germany and (ii) the increase in sales of component parts of a model of our floor cleaning tools to Customer A, one of our five largest customers during the Track Record Period.

Our revenue attributable to Australia was approximately RMB40.2 million and RMB38.1 million for the years ended 31 December 2018 and 2019, respectively. Decrease in revenue from Australia during the Track Record Period was mainly due to the decrease in our sales of laundry products to Customer B, which was one of our five largest customers during the Track Record Period, mainly due to change of product mix ordered by Customer B to more component parts of rotary drying racks. Our revenue increased from approximately RMB38.1 million for the year ended 31 December 2019 to approximately RMB40.5 million for the year ended 31 December 2020 was mainly due to the increase in sales of the component parts of a model of wall-mounted drying rack to Customer B, one of our five largest customers during the Track Record Period. Our revenue decreased from approximately RMB11.1 million for the four months ended 30 April 2020 to approximately RMB9.1 million for the four months ended 30 April 2021, which was mainly due to the decrease in sales of a model of our rotary drying racks to Customer B, one of our five largest customers during the Track Record Period resulting from Customer B's strategy to increase their inventory level for contingency purpose to cope with any unexpected disruption in delivery caused by COVID-19 in 2020.

Our revenue attributable to other countries remained relatively stable at approximately RMB26.3 million and RMB25.6 million, respectively, for the years ended 31 December 2018 and 2019. Our revenue increased from approximately RMB25.6 million for the year ended 31 December 2019 to approximately RMB42.7 million for the year ended 31 December 2020, which was mainly due to the increase in sales of laundry products delivered to Casa Si Marketing und VertriebsgmbH, one of our five largest customers during the Track Record Period. Our revenue increased from approximately RMB13.1 million for the four months ended 30 April 2020 to approximately RMB21.7 million for the four months ended 30 April 2021, which was mainly due to the increase in sales of laundry products delivered to Casa Si Marketing — und VertriebsgmbH.

Cost of sales

The following sets forth an analysis of our costs of sales by product type during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	RMB'000	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000* (unaudited)	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*
Laundry products	113,967	47.9	117,218	48.4	124,228	45.9	46,646	60.9	56,188	61.5
Household cleaning tools	119,972	50.5	121,647	50.3	135,469	50.1	28,052	36.7	34,269	37.5
Kitchen gadgets	3,790	1.6	3,259	1.3	10,755	4.0	1,855	2.4	960	1.0
Total	**237,729**	**100**	**242,124**	**100**	**270,452**	**100**	**76,553**	**100**	**91,417**	**100**

The trend of cost of sales of each of the principal product categories of our products was in line with the trend of the revenue of the respective product categories respectively during the Track Record Period.

The following sets out an analysis of our cost of sales by nature during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	RMB'000	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000* (unaudited)	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*
Raw materials	159,014	66.9	157,609	65.1	182,636	67.5	51,395	67.1	56,386	61.7
Direct labour costs	37,813	15.9	43,169	17.8	46,382	17.2	14,227	18.6	17,820	19.5
Processing fees	12,842	5.4	14,634	6.1	17,523	6.5	3,721	4.9	9,232	10.1
Non-recoverable Value-added tax ("**VAT**")	11,440	4.8	4,797	2.0	408	0.2	265	0.3	—	—
Depreciation and amortisation expenses	7,029	3.0	8,017	3.3	10,225	3.8	3,070	4.0	3,089	3.4
Utilities	5,725	2.4	5,893	2.4	6,110	2.2	1,769	2.3	2,147	2.3
Others	3,866	1.6	8,005	3.3	7,168	2.6	2,106	2.8	2,743	3.0
Total	**237,729**	**100**	**242,124**	**100**	**270,452**	**100**	**76,553**	**100**	**91,417**	**100**

Our costs of sales increased from approximately RMB237.7 million for the year ended 31 December 2018 to approximately RMB242.1 million for the year ended 31 December 2019, and further increased to approximately RMB270.5 million for the year ended 31 December 2020, which was in line with the increase in our sales for the same year/period.

Our cost of sales increased from approximately RMB76.6 million for the four months ended 30 April 2020 to approximately RMB91.4 million for the four months ended 30 April 2021, which was due to the increase in direct labour costs and processing fees, which was in line with the increase in our sales for the same period.

Raw materials

Raw materials was the major component of our cost of sales, which accounted for approximately 66.9%, 65.1%, 67.5% and 61.7%, respectively, of our total cost of sales for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021. The raw materials mainly include polypropylene resins, steel, textiles and packaging materials.

The following sets forth an analysis of the purchase of raw materials during the Track Record Period:

	For the year ended 31 December												For the four months ended 30 April							
	2018				2019				2020				2020				2021			
	RMB'000	*% of total purchase*	*tonnes/pcs '000*	*Average purchase price RMB*	*RMB'000*	*% of total purchase*	*tonnes/pcs '000*	*Average purchase price RMB*	*RMB'000*	*% of total purchase*	*tonnes/pcs '000*	*Average purchase price RMB*	*RMB'000* (unaudited)	*% of total purchase*	*Tonnes/pcs '000*	*Average purchase price RMB*	*RMB'000*	*% of total purchase*	*Tonnes/pcs '000*	*Average purchase price RMB*
Polypropylene resins	57,794	34.6	5,186	11.1	63,582	36.4	6,103	10.4	72,236	37.8	7,371	9.8	19,802	39.7	2,086	9.5	26,199	37.3	2,386	11.0
Steel	47,897	28.7	7,735	6.2	50,922	29.1	8,268	6.2	48,961	25.6	8,343	5.9	14,100	28.3	2,527	5.6	19,158	27.3	2,776	6.9
Packaging materials	35,118	21.1	74,066	0.5	33,722	19.3	73,823	0.5	38,256	20.0	85,944	0.4	9,106	18.3	19,144	0.5	12,734	18.1	27,681	0.5
Textiles	12,872	7.7	6,414	2.0	12,806	7.3	6,085	2.1	12,158	6.4	5,585	2.2	2,413	4.8	1,001	2.4	2,815	4.0	1,527	1.8
Others (Note)	13,147	7.9			13,884	7.9			19,636	10.2			4,418	8.9			9,377	13.3		
Total	**166,828**	**100**			**174,916**	**100**			**191,247**	**100**			**49,839**	**100**			**70,283**	**100**		

Note: Others include aluminium and other consumable materials. As other consumable materials included a wide variety of materials such as lubricants, screws, adhesives, blades, etc., the aggregated quantity and the average purchase price of different materials which are not comparable will not provide a meaningful illustration.

Our major composition of raw materials was relatively stable during the Track Record Period. The increase in the amount of cost of raw materials during the Track Record Period was due to the increase in the overall sales volume of our products during the same year.

Polypropylene resins represented a type of polymers that is resistant to many chemical reactions and can be readily moulded into different shapes, which is commonly used in most of our products, accounted for approximately RMB57.8 million, RMB63.6 million and RMB72.2 million, respectively, during the Track Record Period. The average purchase prices of polypropylene resins accounted for approximately RMB11,100 per tonne and RMB10,400 per tonne, for the years ended 31 December 2018 and 2019, respectively. The average purchase prices of polypropylene resins decreased from approximately RMB10,400 per tonne for the year ended 31 December 2019 to approximately RMB9,800 per tonne for the year ended 31 December 2020. The average purchase prices of polypropylene resins increased from approximately RMB9,500 per tonne for the four months ended 30 April 2020 to approximately RMB11,000 per tonne for the four months ended 30 April 2021. According to CIC report, the average price of polypropylene, which is a fundamental element of polypropylene resins, decreased from approximately RMB10,000 per tonne in 2018 to approximately RMB8,900 per tonne in 2019, and further to approximately RMB8,200 per tonne at 2020. The average price of polypropylene is expected to increase to approximately RMB9,000 per tonne in 2021 due to the increase in demand of downstream manufacturing industry along with the recovery and is expected to increase steadily afterwards.

Steel is our main components of raw materials and mostly used for the production of laundry products, which accounted for approximately RMB47.9 million, RMB50.9 million and RMB49.0 million, respectively, during the Track Record Period. The average purchase prices of steel remained relatively stable at approximately RMB6,200 per tonne in 2018 and RMB6,200 per tonne in 2019. The average purchase prices of steel decreased from approximately RMB6,200 per tonne for the year ended 31 December 2019 to approximately RMB5,900 per tonne for the year ended 31 December 2020. The average purchase price of steel increased from approximately RMB5,600 per tonne for the four months ended 30 April 2020 to approximately RMB6,900 per tonne for the four months ended 30 April 2021. According to CIC report, the average price of steel is expected to increase from approximately RMB4,600 per tonne in 2020 to approximately RMB5,600 per tonne in 2021 with the recovery of downstream manufacturing industry. The average price of steel is expected to increase steadily afterwards.

Packaging materials mainly included carton boxes, is also our main components of raw materials, which is used in most of our products, accounted for approximately RMB35.1 million, RMB33.7 million and RMB38.3 million for the years ended 31 December 2018, 2019 and 2020, respectively. The average purchase prices of packaging materials remained relatively stable at approximately RMB500 per piece, RMB500 per piece and RMB400 per piece for the years ended

31 December 2018, 2019 and 2020, respectively. The average purchase prices of packaging materials remained relatively stable at approximately RMB500 per piece and RMB500 per piece, respectively, for the four months ended 30 April 2020 and 2021.

Direct labour costs

Direct labour costs included wages, social insurance contribution and staff welfare cost for personnel (including our workers and despatched workers engaged by our Group) directly involved in our production activities. Our direct labour costs amounted to approximately RMB37.8 million and RMB43.2 million, respectively, for the years ended 31 December 2018 and 2019. The increase in direct labour costs in 2019 was mainly due to the increase in average number of our workers from 2018 to 2019 in order to decrease the ratio of our despatched staff to our total staff to 10% to comply with the "Interim Provisions on Labour Dispatch"* (《勞務派遣暫行規定》) since April 2019. For further details, please refer to the section headed "Business — Employees — Despatched staff" of this prospectus.

Our direct labour costs increased from approximately RMB43.2 million for the year ended 31 December 2019 to approximately RMB46.4 million for the year ended 31 December 2020, which was mainly due to the increase in average number of our workers for the corresponding years.

Our direct labour costs increased from approximately RMB14.2 million for the four months ended 30 April 2020 to approximately RMB17.8 million for the four months ended 30 April 2021, which was mainly due to (i) the relatively lower direct labour costs for the four months ended 30 April 2020 due to the lesser amount of social insurance contribution for the four months ended 30 April 2020 as a result of the exemption stipulated by the relevant PRC tax authorities from February to June 2020 in light of COVID-19 pandemic; and (ii) the increase in manpower to cope with production need.

Processing fees

Processing fees mainly represented our costs of engaging external plastic injection service providers for the production of our products, which amounted to approximately RMB12.8 million, RMB14.5 million, RMB15.9 million and RMB8.0 million for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, respectively. For further details, please refer to the section headed "Business — Our suppliers — Plastic injection service providers" of this prospectus.

Non-recoverable VAT

Pursuant to PRC regulations, export sales are generally exempt from VAT and exporters are entitled to export tax rebate, which is calculated by multiplying the invoiced value of our export sales with the export tax rebate rate applicable to the export product type. For further details regarding the VAT, please refer to the paragraphs headed "Regulatory overview — Laws and regulations relating to tax — Value-added tax (VAT)". In the case that our exported products had a higher domestic output VAT rate than the export tax rebate rate, the difference between the two rates, due to its non-recoverable nature, would be recorded in the cost of sales of the respective export sales. The decrease in non-recoverable VAT from approximately RMB11.4 million for the year ended 31 December 2018 to approximately RMB4.8 million for the year ended 31 December 2019, and further to approximately RMB0.4 million for the year ended 31 December 2020 was mainly due to the decrease in the difference between the domestic output VAT rate and the export tax rebate rate applied to our products resulting from the decrease in the domestic output VAT rate of certain products from 16% to 13% with effect from April 2019.

Depreciation and amortisation expenses

Our depreciation and amortisation expenses amounted to approximately RMB7.0 million, RMB8.0 million and RMB10.2 million for the years ended 31 December 2018, 2019 and 2020, respectively. The increase in depreciation and amortisation expenses for the year ended 31 December 2020 was mainly due to the addition of certain machinery and production equipment in the second half year of 2019. The depreciation and amortisation expenses remained relatively stable at approximately RMB3.1 million and approximately RMB3.1 million, respectively, for the four months ended 30 April 2020 and 2021.

Utilities

Our utilities expenses remained relatively stable at approximately RMB5.7 million, RMB 5.9 million and RMB6.1 million for the years ended 31 December 2018, 2019 and 2020, respectively. The utilities expenses increased from approximately RMB1.8 million for the four months ended 30 April 2020 to RMB2.1 million for the four months ended 30 April 2021.

Others

Others mainly represented production overheads and repair and maintenance expenses during the Track Record Period.

Gross profit and gross profit margin

The table below sets out our gross profit and gross profit margin by product type during the Track Record Period:

	For the year ended 31 December									For the four months ended 30 April					
	2018			2019			2020			2020			2021		
	Gross profit	% of gross profit	Gross profit margin	Gross profit	% of gross profit	Gross profit margin	Gross profit	% of gross profit	Gross profit margin	Gross profit	% of gross profit	Gross profit margin	Gross profit	% of gross profit	Gross profit margin
			Approximate			*Approximate*			*Approximate*			*Approximate*			*Approximate*
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*
										(unaudited)			(unaudited)		
Laundry products	45,062	49.5	28.3	47,790	50.6	29.0	52,734	46.1	29.8	22,429	61.8	32.5	22,283	64.0	28.4
Household cleaning tools	44,415	48.8	27.0	45,065	47.7	27.0	56,556	49.5	29.5	12,966	35.7	31.6	12,183	35.0	26.2
Kitchen gadgets	1,542	1.7	28.9	1,574	1.7	32.6	4,998	4.4	31.7	894	2.5	32.5	357	1.0	27.1
Total	**91,019**	**100**	**27.7**	**94,429**	**100**	**28.1**	**114,288**	**100**	**29.7**	**36,289**	**100**	**32.2**	**34,823**	**100**	**27.6**

Our overall gross profit amounted to approximately RMB91.0 million, RMB94.4 million and RMB114.3 million for the years ended 31 December 2018, 2019 and 2020, respectively. Our gross profit and gross profit margin are mainly affected by various factors, including (i) the average selling price of the products; and (ii) the costs of sales, of which the costs of raw materials were the major component. Our ability to maintain or improve our gross profit margins is dependent on (i) our ability to transfer out costs of sales to our customers by means of adjusting our selling prices; and (ii) our ability to control our production costs, in particular, raw materials costs and direct labour costs. The increase in our overall gross profit margin from approximately 27.7% for the year ended 31 December 2018 to approximately 28.1% for the year ended 31 December 2019, and further to approximately 29.7% for the year ended 31 December 2020, was in line with (i) the increase in our overall revenue; and (ii) the increase in sales volume of our laundry products and household cleaning tools with lower average selling prices. Our gross profit margin decreased from approximately 32.2% for the four months ended 30 April 2020 to approximately 27.6% for the four months ended 30 April 2021, which was mainly due to (i) the increase in the overall costs of sales during the period; and (ii) the decrease in overall average selling prices of household cleaning tools. The increase in the overall cost of sales for the four months ended 30 April 2021 was mainly due to (i) the relatively higher direct labour costs for the period as compared with the corresponding period in 2020 after the resumption of payment of social insurance contributions for our employees, which had been temporarily exempted by the relevant PRC authorities from February to June 2020 in light of COVID-19 pandemic; and (ii) the increase in processing fees paid to external plastic injection service providers, attributed to the increase in the quantity of our ancillary plastic components processed by them as a result of the high utilisation of our plastic injection machines to cope with the increase in demand of our products during the period.

Our average purchase price of the major raw materials was relatively stable during the Track Record Period. In relation to our control measures on the costs of raw materials as set out in the paragraphs headed "Business — Raw materials" in this prospectus.

Gross profit and gross profit margin of our laundry products

The gross profit of our laundry products amounted to approximately RMB45.1 million, RMB47.8 million and RMB52.7 million, respectively, for the years ended 31 December 2018, 2019 and 2020. The gross profit of our laundry products remained relatively stable at approximately RMB22.4 million for the four months ended 30 April 2020 and RMB22.3 million for the four months ended 30 April 2021. The overall gross profit margin of our laundry products amounted to approximately 28.3%, 29.0% and 29.8%, respectively, for the years ended 31 December 2018, 2019 and 2020. The increase in overall gross profit margin of our laundry products during the Track Record Period was in line with the increase in gross profit margins of certain laundry products. Our gross profit margin decreased from approximately 32.5% for the four months ended 30 April 2020 to 28.4% for the four months ended 30 April 2021 despite the increase in average selling prices of our laundry products, which was mainly due to the overall increase in overall cost of sales due to the reasons mentioned in the paragraph headed "Gross profit and gross profit margin" in this section.

The following sets out the gross profit and gross profit margin of laundry products classified by (i) foldable/upright drying racks; (ii) rotary drying racks; (iii) wall-mounted drying racks; and (iv) others for the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*Approximate %*	*RMB'000*	*Approximate %*	*RMB'000*	*Approximate %*	*RMB'000* (unaudited)	*Approximate %*	*RMB'000*	*Approximate %*
Foldable/upright drying racks	17,108	30.7	15,369	29.3	14,287	29.9	6,327	31.9	5,350	27.9
Rotary drying racks	12,496	28.8	16,818	31.1	18,900	30.7	8,957	33.5	10,317	28.7
Wall-mounted drying racks	2,364	24.9	2,654	28.2	5,030	29.7	1,731	32.2	1,447	28.4
Others *(Note)*	13,094	25.9	12,949	26.4	14,517	28.6	5,414	31.6	5,169	28.4
Total	**45,062**	**28.3**	**47,790**	**29.0**	**52,734**	**29.8**	**22,429**	**32.5**	**22,283**	**28.4**

Note: Others mainly include auxiliary items such as ground socket screws, airer covers, washing lines and spare parts, etc..

Gross profit and gross profit margin of our household cleaning tools

Our overall gross profit of our household cleaning tools increased from approximately RMB44.4 million for the year ended 31 December 2018 to approximately RMB45.1 million for the year ended 31 December 2019, which was mainly due to the increase in gross profit of toilet cleaning tools. Our overall gross profit of our household cleaning tools further increased to approximately RMB56.6 million for the year ended 31 December 2020, which was mainly due to the increase in gross profit of floor cleaning tools and toilet cleaning tools. The gross profit of our household cleaning tools decreased from approximately RMB13.0 million for the four months ended 30 April 2020 to RMB12.2 million for the four months ended 30 April 2021 due to the decrease in gross profit of our floor cleaning tools. The gross profit margin of our household cleaning tools amounted to approximately 27.0%, 27.0%, 29.5% and 26.2% for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, respectively. The increase in gross profit margin of our household cleaning products during the Track Record Period was in line with the increase in gross profit margins of each of the major classification of our household cleaning products. The decrease in gross profit margin of our household cleaning products for the four months ended 30 April 2021 was mainly due to (i) the increase in sales of component parts of a model of our floor cleaning tools, which had relatively lower average selling price, to Customer A, one of our five largest customers during the Track Record Period; (ii) the decrease in sales of certain models of our floor cleaning tools, which had relatively higher average selling prices to Bradshaw Group; and (iii) the increase in overall cost of sales due to the reasons mentioned in the paragraph headed "Gross profit and gross profit margin" in this section.

The following sets out the gross profit and gross profit margin of cleaning products classified by (i) floor cleaning tools; (ii) glass cleaning tools; (iii) toilet cleaning tools; and (iv) others for the Track Record Period.

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*Approximate %*	*RMB'000*	*Approximate %*	*RMB'000*	*Approximate %*	*RMB'000* (unaudited)	*Approximate %*	*RMB'000*	*Approximate %*
Floor cleaning tools	32,046	27.4	30,710	27.3	35,631	29.3	8,775	31.5	6,590	25.9
Glass cleaning tools	4,529	28.6	4,250	28.8	4,783	31.5	1,341	33.4	1,326	27.1
Toilet cleaning tools	1,959	20.0	4,706	25.8	8,242	30.6	1,170	32.5	1,244	26.7
Others *(Note)*	5,881	26.7	5,399	25.4	7,900	27.9	1,680	30.2	3,023	26.4
Total	**44,415**	**27.0**	**45,065**	**27.0**	**56,556**	**29.5**	**12,966**	**31.6**	**12,183**	**26.2**

Note: Others mainly include multi-purpose brushes, etc.

Gross profit and gross profit margin of our kitchen gadgets

The gross profit of our kitchen gadgets amounted to approximately RMB1.5 million, RMB1.6 million and RMB5.0 million, respectively, for the years ended 31 December 2018, 2019 and 2020. The gross profit of kitchen gadgets decreased from approximately RMB0.9 million for the four months ended 30 April 2020 to RMB0.4 million for the four months ended 30 April 2021, which was mainly due to the decrease in sales volume and average selling price during the period. The gross profit margin of our kitchen gadgets amounted to approximately 28.9%, 32.6%, 31.7% and 27.1%, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021. The fluctuations in the gross profit margin of our kitchen gadgets during the Track Record Period was due to variations in the product styles and specifications in response to the customers' requirements. Our gross profit margin decreased from approximately 32.2% for the four months ended 30 April 2020 to approximately 27.6% for the four months ended 30 April 2021, which was mainly due to the increase in sales of certain plastic boxes, which was launched in December 2020 and January 2021 and had a relatively lower average selling price.

Analysis of gross profit by mode of operation

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*Approximate %*	*RMB'000*	*Approximate %*	*RMB'000*	*Approximate %*	*RMB'000* (unaudited)	*Approximate %*	*RMB'000*	*Approximate %*
OEM	66,855	26.9	67,888	27.3	86,276	29.3	25,523	31.5	24,912	26.6
ODM	23,853	29.9	26,424	30.2	27,297	31.2	10,757	33.9	9,458	30.6
OBM	311	32.5	117	30.7	715	28.7	9	31.0	453	26.2
Total	**91,019**	**27.7**	**94,429**	**28.1**	**114,288**	**29.7**	**36,289**	**32.2**	**34,823**	**27.6**

Our gross profit derived from sales of products under OEM basis contributed the largest portion of our total gross profit during the Track Record Period.

We generally recorded higher gross profit margins of our ODM products compared to our OEM products since we provide additional services, such as product design.

Other income

The table below sets forth a breakdown of our other income during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	421	654	652	173	191
Dividend income from unlisted equity investment	300	240	240	240	240
Dividend income from units in investment funds	215	36	—	—	—
Government subsidies	1,674	2,548	3,447	703	290
Others	441	103	300	113	192
Total	**3,051**	**3,581**	**4,639**	**1,229**	**913**

During the Track Record Period, the amount of other revenue was approximately RMB3.1 million, RMB3.6 million, RMB4.6 million and RMB0.9 million, respectively. The fluctuations in the amount of other income were mainly due to the fluctuations in the government subsidies.

Our bank interest income amounted to approximately RMB0.4 million, RMB0.7 million, RMB0.7 million and RMB0.2 million for the years ended 31 December 2018, 2019, 2020 and the four months ended 30 April 2021, respectively.

Dividend income from unlisted equity investment represented the dividend income of Deqing County Business Guarantee Co Ltd* (德清縣商務融資擔保有限公司), which was owned by us as to approximately 5.61%. Dividend income from units in investment funds represented the dividend income we received from our investment in two funds, which we subscribed through a commercial bank. We disposed our investment in such funds in 2019.

Government subsidies represented unconditional government subsidies granted to the Group from the local government authorities in the PRC mainly for the purposes of (i) providing incentives for research and development activities; and (ii) providing business support. All government grants obtained by us during the Track Record Period were one-off in nature.

Others mainly represented sales of scraps and moulds and rental income from BHP Huzhou.

Other gains/(losses), net

The table below sets forth a breakdown of our other gains/(losses) during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Unrealised gain/(loss) on foreign exchange forward contracts	4	1,053	1,576	(573)	809
Realised (loss)/gain on foreign exchange forward contracts	(380)	(1,264)	2,248	(677)	(937)
Fair value (loss)/gain on financial asset at fair value through profit or loss ("**FVTPL**")	(340)	561	(109)	(69)	13
Gain on disposal of financial assets at FVTPL	175	156	731	731	—
Net gain/(loss) on disposal of property, plant and equipment	10	(261)	(522)	(2)	5
Loss on disposal of a joint venture	—	(264)	—	—	—
Net foreign exchange gain/(loss)	4,839	1,728	(7,940)	(24)	(1,478)
(Provision)/Reversal of provision for ECL allowance on trade receivables	(64)	(81)	59	134	123
Total	**4,244**	**1,628**	**(3,957)**	**(480)**	**(1,465)**

During the Track Record Period, the amount of other gains/(losses) was approximately RMB4.2 million, RMB1.6 million, RMB(4.0) million and RMB(1.5) million, respectively.

Unrealised gain on foreign exchange forward contracts represented the change in fair value on foreign exchange forward contracts calculated based on the prevailing spot exchange rate and the transaction rate at the end of each year. Realised (loss)/gain on foreign exchange forward contracts represented the fair value (loss)/gain calculated based on the prevailing spot exchange rate and the transaction rate upon settlement.

Fair value (loss)/gain on financial asset at FVTPL represented the change in fair value of a number of financial products mainly including (i) wealth management plans, which were managed by licensed financial institutions in the PRC; and (ii) investment funds subscribed through a commercial bank in Hong Kong during the Track Record Period. Gain on disposal of financial assets at FVTPL represented the gain on disposal of these financial products during the Track Record Period.

Net gain/(loss) on disposal of property, plant and equipment mainly represented the net gain/(loss) incurred through disposing our old production machinery and equipment.

On 3 June 2019, the Group disposed the 50% interest in Home Laundry, a joint venture of the Group, to its existing shareholder at nil consideration. The transaction was completed in 2019 and loss on disposal of the joint venture amounted to approximately RMB0.3 million was recognised for the year ended 31 December 2019.

Net foreign exchange gain/(loss) mainly represented the foreign exchange differences due to the fluctuations of USD against RMB. The change of net foreign exchange gain of approximately RMB1.7 million for the year ended 31 December 2019 to net foreign exchange loss of approximately RMB7.9 million for the year ended 31 December 2020 was mainly due to the appreciation of RMB against USD in 2020. The net foreign exchange loss of approximately RMB1.5 million for the four months ended 30 April 2021 was mainly due to the appreciation of RMB against USD in the period.

(Provision)/Reversal of provision for ECL allowance on trade receivables referred to our provision policy for impairment of trade receivables of the Group, which was mainly based on the evaluation of the collectability and ageing analysis of the respective outstanding receivables as well as forecasts of future economic conditions.

Selling and distribution expenses

The table below sets forth a breakdown of our selling and distribution expenses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Transportation costs	9,507	54.1	10,298	68.8	10,711	70.3	3,027	67.1	3,873	71.7
Sales and marketing fees	5,772	32.9	2,081	13.9	1,590	10.5	537	11.9	480	8.9
Staff costs	726	4.1	1,111	7.4	1,359	8.9	368	8.2	460	8.5
Others *(Note)*	1,561	8.9	1,488	9.9	1,568	10.3	580	12.8	590	10.9
Total	**17,566**	**100**	**14,978**	**100**	**15,228**	**100**	**4,512**	**100**	**5,403**	**100**

Note: Others mainly represented insurance expenses for exporting products, inspection fee, testing fee and other miscellaneous costs.

During the Track Record Period, our selling and distribution expenses were approximately RMB17.6 million, RMB15.0 million, RMB15.2 million and RMB5.4 million for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, representing approximately 5.3%, 4.5%, 4.0% and 4.3% of our total revenue for the corresponding years and period, respectively.

Transportation costs mainly represented our payments to third-party logistics providers for product delivery to our customers. For the years ended 31 December 2018, 2019 and 2020, our transportation costs amounted to approximately RMB9.5 million, RMB10.3 million and RMB10.7 million, respectively. Our transportation costs increased from approximately RMB3.0 million for the four months ended 30 April 2020 to approximately RMB3.9 million for the four months ended 30 April 2021. The increase in transportation fee was in line with the increase in sales during the Track Record Period.

Sales and marketing fees mainly represented (i) our fee paid to NSM for its provision sales and marketing support; and (ii) the advertisement fee for promotion purpose. The decrease in our sales and marketing fees was mainly due to the renewal of the management agreement with NSM, which is considered a connected person of our Group, in July 2018, which a fixed fee was paid for NSM's sales and marketing services. The decrease in our sales and marketing fees for the year ended 31 December 2020 was mainly due to less cost was incurred on trade fair and exhibitions during the year.

Staff costs mainly represented salaries and employee benefits for employees engaging in sales activities. The increase in staff costs from approximately RMB0.7 million for the year ended 31 December 2018 to approximately RMB1.1 million for the year ended 31 December 2019 was mainly due to the increase in average number of employees in 2019.

Administrative and other operating expenses

The table below sets forth a breakdown of our administrative and other operating expenses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Staff costs	13,483	55.7	16,072	57.0	15,142	57.3	4,967	54.9	7,001	61.2
Depreciation and amortisation expenses	3,494	14.4	3,036	10.8	2,621	9.9	878	9.7	852	7.4
Travel and entertainment fee	1,267	5.2	1,685	6.0	954	3.6	260	2.9	398	3.5
Research and development costs	1,473	6.1	1,506	5.3	1,700	6.4	668	7.4	1,021	8.9
Other taxes	164	0.7	864	3.1	1,209	4.6	720	7.9	230	2.0
Legal and professional fee	977	4.0	448	1.6	1,112	4.2	217	2.4	218	1.9
Environmental protection cost	382	1.6	387	1.4	589	2.2	161	1.8	166	1.5
Fine	—	—	1,575	5.6	—	—	—	—	—	—
Others *(Note)*	2,981	12.3	2,607	9.2	3,120	11.8	1,182	13.0	1,552	13.6
Total	**24,221**	**100**	**28,180**	**100**	**26,447**	**100**	**9,053**	**100**	**11,438**	**100**

Note: Others mainly represented insurance expense, office expense, repair and maintenance expenses and other miscellaneous costs for administrative purpose.

During the Track Record Period, our administrative and other operating expenses were approximately RMB24.2 million, RMB28.2 million, RMB26.4 million and RMB11.4 million for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, representing approximately 7.4%, 8.4%, 6.9% and 9.1% of our total revenue for the corresponding years, respectively.

Staff costs mainly represented salaries and employee benefits for our employees engaging in administrative activities. Depreciation and amortisation expenses represented such expenses of our property, plant and equipment being used in our administrative activities.

Travel and entertainment fee mainly represented travel and entertainment expenses incurred by our employees engaging in administrative activities.

Others taxes primarily consisted of urban construction tax, education surcharge and other business taxes.

Legal and professional fee mainly represented the fees charged by the professional service providers, such as the legal advisers, auditors and other professional service providers.

Environmental protection cost mainly represented the costs incurred by our Group for compliance with the relevant environmental protection laws and regulations.

Fine represented the penalty paid to SAFE for violating the regulations on transferring profits abroad. For further details, please refer to the section headed "Business — Legal and compliance" in this prospectus.

Our Group has been focusing on research and development, especially for our ODM and OBM products. During the Track Record Period, our research and development costs were approximately RMB1.5 million, RMB1.5 million, RMB1.7 million and RMB1.0 million, respectively. For details of our research and development, please refer to the paragraph headed "Business — Our business operation — Product design and development" in this prospectus.

Finance costs

Our finance costs remained stable at approximately RMB0.6 million and RMB0.7 million for the years ended 31 December 2018 and 2019, respectively. Our finance costs decreased to approximately RMB0.3 million for the year ended 31 December 2020. Finance costs decreased from approximately RMB0.2 million for the four months ended 30 April 2020 to RMB42,000 for the four months ended 30 April 2021.

Share of results of a joint venture

During the Track Record Period, our share of results of a joint venture was derived from Home Laundry, which mainly purchased laundry products from us and resell to its customers through e-shops.

On 3 June 2019, Mr. Zhu transferred 50% interest in Home Laundry to Mr. Nicholson. Upon completion of such transfer, Mr. Zhu ceased to hold any interest in Home Laundry. For further details of Home Laundry, please refer to the paragraphs headed "History, Reorganisation and corporate structure — Our group structure and corporate history" in this prospectus.

Income tax expense

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces a two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021, Hong Kong profits tax of BHP Housewares is calculated in accordance with the two-tiered profits tax rates regime.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for subsidiaries established in the PRC.

Taxation on overseas profits has been calculated on the estimated assessable profits during the Track Record Period at the rates of taxation prevailing in the countries in which the Group operates.

The following table sets forth a breakdown of our current and deferred tax expenses for the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
— Hong Kong Profits Tax	626	—	792	331	728
— PRC Enterprise Income tax	13,744	14,695	16,444	5,168	2,790
	14,370	14,695	17,236	5,499	3,518
Deferred tax	599	1,058	1,790	601	796
Total income tax expense	**14,969**	**15,753**	**19,026**	**6,100**	**4,314**

During the Track Record Period, our effective tax rates (Note) were as follows:

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
				(unaudited)	
Effective tax rate	26.7%	31.6%	29.1%	30.6%	26.6%

Note: The effective tax rate is calculated by dividing the income tax expense by the profit before taxation for the respective year/period multiplied by 100%.

Our Group's effective tax rates were approximately 26.7%, 31.6%, 29.1%, 30.6% and 26.6% for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021, respectively. The higher effective tax rates for the years ended 31 December 2019 and 2020 and for the four months ended 30 April 2020 were mainly due to the higher non-deductible expenses and the one-off Listing expenses.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2018 compared to year ended 31 December 2019

Revenue

Our overall revenue increased by approximately 2.4% from approximately RMB328.7 million for the year ended 31 December 2018 to approximately RMB336.6 million for the year ended 31 December 2019, which was primarily due to the combined effects of:

(i) the increase in the sales of our laundry products from approximately RMB159.0 million for the year ended 31 December 2018 to approximately RMB165.0 million for the year ended 31 December 2019 as a result of the increase in sales volume; and

(ii) the increase in the sales of our household cleaning tools from approximately RMB164.4 million for the year ended 31 December 2018 to approximately RMB166.7 million for the year ended 31 December 2019 as a result of the increase in average selling price.

Sales volume

The sales volume of laundry products increased from approximately 5.5 million units for the year ended 31 December 2018 to approximately 5.7 million units for the year ended 31 December 2019, which was mainly due to increase in our sales to two of our five largest customers during the Track Record Period.

The sales volume of household cleaning tools decreased from approximately 19.0 million units for the year ended 31 December 2018 to approximately 17.6 million units for the year ended 31 December 2019, which was mainly due to decrease in our sales to Bradshaw Group, which was our largest customer during the Track Record Period.

The sales volume of kitchen gadgets remained relatively stable at approximately 0.2 million units and approximately 0.2 million units for the years ended 31 December 2018 and 2019, respectively.

Average selling price

The average selling price of laundry products remained relatively stable at approximately RMB28.9 per unit and approximately RMB28.9 per unit for the years ended 31 December 2018 and 2019, respectively.

The average selling price of household cleaning tools increased from approximately RMB8.6 per unit for the year ended 31 December 2018 to approximately RMB9.5 per unit for the year ended 31 December 2019, which was mainly due to the increase in average selling prices of our floor cleaning tools and toilet cleaning tools.

The average selling price of kitchen gadgets increased from approximately RMB21.9 per unit for the year ended 31 December 2018 to approximately RMB23.6 per unit for the year ended 31 December 2019, which was mainly due to increase in sales of one model of our kitchen gadget products, which had a relatively higher average selling price.

Cost of sales

Our cost of sales increased by approximately 1.9% from approximately RMB237.7 million for the year ended 31 December 2018 to approximately RMB242.1 million for the year ended 31 December 2019, primarily due to the increase in direct labour costs from approximately RMB37.8 million for the year ended 31 December 2018 to approximately RMB43.2 million for the year ended 31 December 2019 resulting from the increase in average number of workers for production in 2019.

Gross profit and gross profit margin

Our overall gross profit increased by approximately RMB3.4 million or 3.7%, from approximately RMB91.0 million for year ended 31 December 2018 to approximately RMB94.4 million for year ended 31 December 2019 mainly due to the combined effects of:

(i) the increase in the gross profit of laundry products from approximately RMB45.1 million for the year ended 31 December 2018 to approximately RMB47.8 million for the year ended 31 December 2019, which was mainly due to the increase in the gross profit of our rotary drying racks; and

(ii) the increase in the gross profit of household cleaning tools from approximately RMB44.4 million for the year ended 31 December 2018 to approximately RMB45.1 million for the year ended 31 December 2019, which was mainly due to the increase in the gross profit of our toilet cleaning tools as a result of the increase in average selling price.

Our overall gross profit margin remained relatively stable at approximately 27.7% for the year ended 31 December 2018 and approximately 28.1% for the year ended 31 December 2019.

Other income

Our other income increased by approximately 16.1% from approximately RMB3.1 million for the year ended 31 December 2018 to approximately RMB3.6 million for the year ended 31 December 2019. The increase was primarily due to the increase in government subsidies of approximately RMB0.9 million.

Other gains

Our other gains decreased by approximately 61.9% from approximately RMB4.2 million for the year ended 31 December 2018 to approximately RMB1.6 million for the year ended 31 December 2019. The decrease was primarily due to the decrease in net foreign exchange gain for the year ended 31 December 2019.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 14.8% from approximately RMB17.6 million for the year ended 31 December 2018 to approximately RMB15.0 million for the year ended 31 December 2019, which was primarily due to the decrease in our fees paid to NSM upon the renewal of the management agreement with NSM in July 2018, which a fixed fee was paid for the sales and marketing services.

Administrative and general expenses

Our administrative and general expenses increased by approximately 16.5% from approximately RMB24.2 million for the year ended 31 December 2018 to approximately RMB28.2 million for the year ended 31 December 2019, which was primarily due to the increase in costs of employee benefits resulting from the one-off purchase of sundry supplies such as food and beverages and miscellaneous office supplies, for use as our employee benefits, from BHP Huzhou as it ceased operations in 2019.

Finance costs

Our finance costs remained relatively stable at approximately RMB0.6 million and approximately RMB0.7 million for the years ended 31 December 2018 and 2019, respectively.

Income tax expense

Our income tax expense increased by approximately 5.3% from approximately RMB15.0 million for the year ended 31 December 2018 to approximately RMB15.8 million for the year ended 31 December 2019.

Profit for the year

As a result of the above factors, our net profit decreased by approximately 16.8% from approximately RMB41.0 million for the year ended 31 December 2018 to approximately RMB34.1 million for the year ended 31 December 2019. The net profit margin decreased from approximately 12.5% for the year ended 31 December 2018 to approximately 10.1% for the year ended 31 December 2019. Our adjusted net profit and net profit margin, which were non-HKFRS measures, was approximately RMB40.0 million and approximately 11.9% for the year ended 31 December 2019.

Year ended 31 December 2019 compared to year ended 31 December 2020

Revenue

Our overall revenue increased by approximately 14.3% from approximately RMB336.6 million for the year ended 31 December 2019 to approximately RMB384.7 million for the year ended 31 December 2020, which was primarily due to the combined effects of:

(i) the increase in the sales of our laundry products from approximately RMB165.0 million for the year ended 31 December 2019 to approximately RMB177.0 million for the year ended 31 December 2020 as a result of the increase in sales volume;

(ii) the increase in the sales of our household cleaning tools from approximately RMB166.7 million for the year ended 31 December 2019 to approximately RMB192.0 million for the year ended 31 December 2020 as a result of the increase in sales volume; and

(iii) the increase in the sales of our kitchen gadgets from approximately RMB4.8 million for the year ended 31 December 2019 to approximately RMB15.8 million for the year ended 31 December 2020, which was mainly due to the increase in sales volume.

Sales volume

The sales volume of laundry products increased from approximately 5.7 million units for the year ended 31 December 2019 and approximately 6.9 million units for the year ended 31 December 2020, which was mainly due to the increase in our sales of the component parts of a model of wall-mounted drying rack to Customer B, which was our five largest customers during the Track Record Period.

The sales volume of household cleaning tools increased from approximately 17.6 million units for the year ended 31 December 2019 to approximately 21.6 million units for the year ended 31 December 2020, which was mainly due to the increase in our sales of multi-purpose brushes to Bradshaw Group, which was our largest customer during the Track Record Period.

The sales volume of kitchen gadgets increased from approximately 0.2 million units for the year ended 31 December 2019 to approximately 0.7 million units for the year ended 31 December 2020, which was mainly due to the increase in sales to Customer A, which was one of the five largest customers during the Track Record Period.

Average selling price

The average selling price of laundry products decreased from approximately RMB28.9 per unit for the year ended 31 December 2019 to approximately RMB25.5 per unit for the year ended 31 December 2020, which was mainly due to the increase in sales of our component parts of a model of wall-mounted drying rack, which had relatively lower average selling prices, to Customer B.

The average selling price of household cleaning tools decreased from approximately RMB9.5 per unit for the year ended 31 December 2019 to approximately RMB8.9 per unit for the year ended 31 December 2020, which was mainly due to the increase of sales of glass cleaning tools which had relatively lower average selling prices.

The average selling price of kitchen gadgets increased from approximately RMB23.6 per unit for the year ended 31 December 2019 to approximately RMB24.1 per unit for the year ended 31 December 2020, which was mainly due to the increase of sales of several models of our kitchen gadgets, such as manual food processors, potato and vegetable slicers, and fruit and vegetable twirl cutters, which had relatively higher average selling prices.

Cost of sales

Our cost of sales increased from approximately RMB242.1 million for the year ended 31 December 2019 to approximately RMB270.5 million for the year ended 31 December 2020, primarily due to the purchase in raw materials to cope with the increase in our sales during the year.

Gross profit and gross profit margin

Our overall gross profit increased by approximately RMB19.9 million or 21.1% from approximately RMB94.4 million for the year ended 31 December 2019 to approximately RMB114.3 million for the year ended 31 December 2020, which was primarily due to the combined effects of:

(i) the increase in the gross profit of our laundry products from approximately RMB47.8 million for the year ended 31 December 2019 to approximately RMB52.7 million for the year ended 31 December 2020, which was mainly due to the increase in the gross profit of our rotary drying ranks and wall-mounted drying racks;

(ii) the increase in the gross profit of our household cleaning tools from approximately RMB45.1 million for the year ended 31 December 2019 to approximately RMB56.6 million for the year ended 31 December 2020, which was mainly due to the increase in the gross profit of our floor cleaning tools and toilet cleaning tools; and

(iii) the increase in the gross profit of our kitchen gadgets from approximately RMB1.6 million for the year ended 31 December 2019 to approximately RMB5.0 million for the year ended 31 December 2020, which was mainly due to the increase in sales volume and average selling price.

Our overall gross profit margin increased from approximately 28.1% for the year ended 31 December 2019 to approximately 29.7% for the year ended 31 December 2020, which was primarily due to the increase in gross profit margin of household cleaning tools from approximately 27.0% for the year ended 31 December 2019 to approximately 29.5% for the year ended 31 December 2020, which was mainly attributable to our floor cleaning tools, glass cleaning tools and toilet cleaning tools.

Other income

Our other income increased by approximately 27.8% from approximately RMB3.6 million for the year ended 31 December 2019 to approximately RMB4.6 million for the year ended 31 December 2020. The increase was primarily due to the increase in government subsidies from approximately RMB2.5 million for the year ended 31 December 2019 to approximately RMB3.4 million for the year ended 31 December 2020.

Other gains/(losses), net

We recorded other gains of approximately RMB1.6 million for the year ended 31 December 2019 and other losses of approximately RMB4.0 million for the year ended 31 December 2020. This was primarily due to the change of net foreign exchange gain to net foreign exchange loss during the year.

Selling and distribution expenses

Our selling and distribution expenses remained relatively stable at approximately RMB15.0 million for the year ended 31 December 2019 and approximately RMB15.2 million for the year ended 31 December 2020.

Administrative and general expenses

Our administrative and general expenses decreased by approximately 6.4% from approximately RMB28.2 million for the year ended 31 December 2019 to approximately RMB26.4 million for the year ended 31 December 2020, which was mainly due to (i) the decrease in travel and entertainment fee and (ii) the absence of the fine for the year.

Finance costs

Our finance costs decreased from approximately RMB0.7 million for the year ended 31 December 2019 to RMB0.3 million for the year ended 31 December 2020, which was mainly due to the decrease in bank borrowings for the year.

Income tax expense

Our income tax expense increased by approximately 20.3% from approximately RMB15.8 million for the year ended 31 December 2019 to approximately RMB19.0 million for the year ended 31 December 2020.

Profit for the year

As a result of the above factors, our net profit increased by approximately 35.8% from approximately RMB34.1 million for the year ended 31 December 2019 to approximately RMB46.3 million for the year ended 31 December 2020. The net profit margin increased from approximately 10.1% for the year ended 31 December 2019 to approximately 12.0% for the year ended 31 December 2020. Our adjusted net profit and net profit margin, which were non-HKFRS measures, was approximately RMB53.9 million and approximately 14.0% for the year ended 31 December 2020.

The four months ended 30 April 2020 compared to the four months ended 30 April 2021

Revenue

Our revenue increased by approximately 11.9% from approximately RMB112.8 million for the four months ended 30 April 2020 to approximately RMB126.2 million for the four months ended 30 April 2021, which was primarily due to the combined effect of:

(i) the increase in the sales of our laundry products from approximately RMB69.1 million for the four months ended 30 April 2020 to approximately RMB78.5 million for the four months ended 30 April 2021 as a result of the increase in average selling price; and

(ii) the increase in sales of household cleaning tools from approximately RMB41.0 million for the four months ended 30 April 2020 to approximately RMB46.5 million for the four months ended 30 April 2021, which was mainly due to the increase in sales volume.

Sales volume

The sales volume of laundry products remained relatively stable at approximately 2.3 million units and 2.3 million units, respectively, for the four months ended 30 April 2020 and 2021.

The sales volume of household cleaning tools increased from approximately 4.6 million units for the four months ended 30 April 2020 to approximately 6.0 million units for the four months ended 30 April 2021, which was mainly due to the increase in sales of floor cleaning tools and multi-purpose brushes to Bradshaw Group and Customer A, which were our five largest customers during the Track Record Period.

The sales volume of kitchen gadgets decreased from approximately 0.1 million units for the four months ended 30 April 2020 to approximately 67,000 units for the four months ended 30 April 2021 due to the decrease in sales to Customer A.

Average selling price

The average selling price of laundry products increased from approximately RMB29.7 per unit for the four months ended 30 April 2020 to approximately RMB34.3 per unit for the four months ended 30 April 2021, which was mainly due to the increase in sales of rotary drying racks which had a relatively higher average selling price.

The average selling price of household cleaning tools decreased from approximately RMB8.9 per unit for the four months ended 30 April 2020 to RMB7.7 per unit for the four months ended 30 April 2021, which was mainly due to the increase in sales volume of our floor cleaning tools which recorded a decrease in average selling prices.

The average selling price of kitchen gadgets decreased from approximately RMB23.3 per unit for the four months ended 30 April 2020 to approximately RMB19.7 per unit for the four months ended 30 April 2021, which was mainly due to the increase in sales of certain plastic boxes, which was launched in December 2020 and January 2021 and had a relatively lower average selling price.

Cost of sales

Our cost of sales increased from approximately RMB76.6 million for the four months ended 30 April 2020 to approximately RMB91.4 million for the four months ended 30 April 2021, primarily due to the (i) the lower amount of direct labour costs due to the social insurance contribution as a result of the exemption stipulated by the relevant PRC tax authorities from February to June 2020 in light of COVID-19 pandemic; and (ii) the increase in manpower to cope with production need.

Gross profit and gross profit margin

Our overall gross profit decreased by approximately RMB1.5 million or 4.0% from approximately RMB36.3 million for the four months ended 30 April 2020 to approximately RMB34.8 million for the four months ended 30 April 2021, which was primarily due to the decrease in the gross profit of our laundry products, household cleaning tools and kitchen gadgets.

Our overall gross profit margin decreased from approximately 32.2% for the four months ended 30 April 2020 to approximately 27.6% for the four months ended 30 April 2021, which was primarily due to decrease in gross profit margin of our household cleaning tools from approximately 31.6% for the four months ended 30 April 2020 to approximately 26.2% for the four months ended 30 April 2021, which was mainly attributable to the increase in the overall cost of sales during the period.

Other income

Our other income decreased from approximately RMB1.2 million for the four months ended 30 April 2020 to approximately RMB0.9 million for the four months ended 30 April 2021, which was primarily due to the decrease in government subsidies during the period.

Other losses, net

Our other losses increased from approximately RMB0.5 million for the four months ended 30 April 2020 to approximately RMB1.5 million for the four months ended 30 April 2021, which was mainly due to the net foreign exchange loss of approximately RMB1.5 million for the four months ended 30 April 2021 resulting from the effect of the appreciation of RMB against USD in 2021.

Selling and distribution expenses

Our selling and distribution expenses increased from approximately RMB4.5 million for the four months ended 30 April 2020 to approximately RMB5.4 million for the four months ended 30 April 2021 due to the increase in transportation costs during the period which was in line with the increase in sales during the period.

Administrative and general expenses

Our administrative and general expenses increased from approximately RMB9.1 million for the four months ended 30 April 2020 to approximately RMB11.4 million for the four months ended 30 April 2021, primarily due to the increase in staff costs driven by (i) the increase in number of warehouse staff to cope with the expected increase in demand for inventories management; and (ii) the increase in average salaries of the employees for the period.

Finance costs

Our finance costs decreased from approximately RMB0.2 million for the four months ended 30 April 2020 to RMB42,000 for the four months ended 30 April 2021.

Income tax expense

Our income tax expense decreased from approximately RMB6.1 million for the four months ended 30 April 2020 to approximately RMB4.3 million for the four months ended 30 April 2021.

Profit for the period

As a result of the above factors, our net profit decreased by approximately 13.8% from approximately RMB13.8 million for the four months ended 30 April 2020 to approximately RMB11.9 million for the four months ended 30 April 2021. The net profit margin decreased from approximately 12.3% for the four months ended 30 April 2020 to approximately 9.4% for the four months ended 30 April 2021. Our adjusted net profit and net profit margin, which were non-HKFRS measures, was approximately RMB13.1 million and approximately 10.4% for the four months ended 30 April 2021.

LIQUIDITY AND CAPITAL RESOURCES

Our source of funds for our operations mainly comes from cash generated from our operation. Our primary uses of cash are mainly to finance our operations, working capital needs and capital expenditure needs. Upon Listing, our source of funds will be satisfied using a combination of internal generated funds, bank loans and net proceeds from the Global Offering.

Net current assets

The following table sets forth a breakdown of our Group's current assets and liabilities as at 31 December 2018, 2019 and 2020, 30 April 2021 and 31 August 2021:

	As at 31 December			As at 30 April	As at 31 August
	2018	**2019**	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets					
Inventories	34,023	51,449	60,052	73,949	78,682
Trade and other receivables	75,219	80,889	98,229	95,058	120,693
Financial assets at FVTPL	19,715	24,820	6,211	6,224	—
Amounts due from related parties	38,789	149	50	50	50
Pledged bank deposits	23,641	21,036	19,542	19,830	16,699
Cash and cash equivalents	23,601	23,649	69,655	68,886	61,123
	214,988	201,992	253,739	263,997	277,247
Current liabilities					
Trade and other payables	(104,705)	(98,848)	(118,716)	(110,064)	(104,468)
Contract liabilities	(196)	(781)	(336)	(1,451)	(1,452)
Bank borrowings	(24,287)	(26,665)	(15,862)	(17,776)	(22,077)
Amounts due to related parties	(12,801)	(5,818)	—	—	—
Income tax payable	(22,149)	(24,444)	(21,504)	(22,950)	(23,691)
	(164,138)	(156,556)	(156,418)	(152,241)	(151,688)
Net current assets	**50,850**	**45,436**	**97,321**	**111,756**	**125,559**

Our current assets mainly included inventories, trade and other receivables, financial assets at FVTPL, amounts due from related parties, pledged bank deposits and cash and cash equivalents. Our current liabilities mainly included trade and other payables, contract liabilities, bank borrowings, amounts due to related parties and income tax payables.

Our net current assets remained relatively stable at approximately RMB50.9 million and RMB45.4 million, respectively, as at 31 December 2018 and 2019. Our net current assets increased from approximately RMB45.4 million as at 31 December 2019 to approximately RMB97.3 million as at 31 December 2020, which was mainly due to (i) the increase in cash at bank as at 31 December 2020 resulting from net cash generated from operating activities of approximately RMB71.9 million; (ii) the increase in trade receivables which was in line with the increase in revenue in 2020; and (iii) the increase in inventories of approximately RMB8.6 million, resulting from the increase in work in progress to cope with the expected sales to our major customers such as Casa Si Marketing — und VertriebsgmbH at the beginning of 2021. Our net current assets increased to approximately RMB111.8 million, as at 30 April 2021, which was mainly due to the increase in inventories for the periods to cope with the expected sales to our major customers in the second and third quarters of 2021, and further to approximately RMB125.6 million as at 31 August 2021, which was mainly due to the increase in trade receivables from Bradshaw Group resulting from the increase in sales to Bradshaw Group from June to August 2021.

For further discussions on the fluctuations of the components of our current assets and current liabilities mentioned above, please refer to the paragraphs headed "Discussion on selected balance sheet items" below.

Cash flows

The table below sets forth the selected cash flow data from the consolidated statements of cash flows for the years/periods as indicated. This information should be read together with the consolidated financial information contained in the Accountants' Report in Appendix I to this prospectus.

	For the year ended 31 December			For the four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating profit before working capital changes	64,403	61,224	78,506	24,073	20,941
Changes in working capital	(23,441)	(31,158)	13,531	31,236	(19,005)
Income tax paid	(7,161)	(12,425)	(20,152)	(12,254)	(2,066)
Net cash generated from/(used in) operating activities	33,801	17,641	71,885	43,055	(130)
Net cash used in investing activities	(32,476)	(20,125)	(8,153)	(15,422)	(1,991)
Net cash (used in)/generated from financing activities	(12,032)	2,199	(15,577)	(13,728)	2,021
Net (decrease)/increase in cash and cash equivalents	(10,707)	(285)	48,155	13,905	(100)
Cash and cash equivalents at the beginning of the year/period	33,495	23,601	23,649	23,649	69,655
Effect of exchange rate changes	813	333	(2,149)	253	(669)
Cash and cash equivalents at the end of the year/period	23,601	23,649	69,655	37,807	68,886

Net cash generated from/(used in) operating activities

Our operating cash inflow is primarily from our operating activities principally from the receipt of payments for the sales of our products, whereas our outflow from operating activities is principally for purchases of raw materials, payment of salaries and employee benefits and manufacturing overheads.

For the year ended 31 December 2018, our net cash generated from operating activities was approximately RMB33.8 million, mainly due to (i) our profit before tax of approximately RMB56.0 million which was primarily adjusted for depreciation of property, plant and equipment of approximately RMB10.3 million and finance costs of approximately RMB0.6 million; (ii) increase in trade and other payables of approximately RMB3.5 million; (iii) decrease in amounts due from related parties of approximately RMB0.4 million; which partially offset by (iv) increase in trade and other receivables of approximately RMB9.6 million; (v) increase in financial assets at FVTPL, which were held for trading purposes and classified as operating activities according to HKAS 7 "Statement of Cash Flows", of approximately RMB8.7 million; (vi) increase in inventories of approximately RMB7.9 million, which was mainly attributable to the increase in raw materials; and (vii) the tax paid of approximately RMB7.2 million.

For the year ended 31 December 2019, our net cash generated from operating activities was approximately RMB17.6 million, mainly due to (i) our profit before tax of approximately RMB49.8 million which was primarily adjusted for depreciation of property, plant and equipment of approximately RMB12.0 million, realised loss on foreign exchange forward contracts of approximately RMB1.3 million and finance costs of approximately RMB0.7 million; (ii) increase in contract liabilities of approximately RMB0.6 million; (iii) decrease in amounts due from related parties of approximately RMB0.4 million; which partially offset by (iv) increase in inventories of approximately RMB17.4 million, which was mainly attributable to the increase in raw materials; (v) decrease in trade and other payables of approximately RMB5.1 million; (vi) increase in trade and other receivables of approximately RMB5.1 million; and (vii) the tax paid of approximately RMB12.4 million.

For the year ended 31 December 2020, our net cash generated from operating activities was approximately RMB71.9 million, mainly due to (i) our profit before tax of approximately RMB65.3 million which was primarily adjusted for depreciation of property, plant and equipment of approximately RMB12.7 million, realised gain on foreign exchange forward contracts of approximately RMB2.2 million, unrealised gain on foreign exchange forward contracts of approximately RMB1.6 million and net foreign exchange loss of approximately RMB4.9 million; (ii) decrease in financial assets at FVTPL, which were held for trading purposes and classified as operating activities according to HKAS 7 "Statement of Cash Flows" of approximately RMB19.2 million; (iii) increase in trade and other payables of approximately RMB20.8 million; which partially offset by; (iv) increase in trade and other receivables of approximately RMB17.5 million; and (v) the tax paid of approximately RMB20.2 million.

For the four months ended 30 April 2021, our net cash used in operating activities was approximately RMB0.1 million, mainly due to (i) our profit before tax of approximately RMB16.2 million which was primarily adjusted for depreciation of property, plant and equipment of approximately RMB4.1 million, unrealised gain on foreign exchange forward contracts of approximately RMB0.8 million, realised loss on foreign exchange forward contracts of approximately RMB0.9 million and net foreign exchange loss of approximately RMB0.9 million; (ii) increase in inventories of approximately RMB13.9 million; (iii) decrease in trade and other payables of approximately RMB9.5 million; which partially offset by; (iv) decrease in trade and other receivables of approximately RMB3.3 million; and (v) increase in contract liabilities of approximately RMB1.1 million.

Net cash used in investing activities

Our cash generated from investing activities are primarily attributable to interest received, dividend income from unlisted equity investment and units in investment funds. Our cash used in investing activities is primarily for purchase of property, plant and equipment, advance to related parties and change in pledged bank deposits.

For the year ended 31 December 2018, our net cash used in investing activities was approximately RMB32.5 million, mainly due to (i) purchase of property, plant and equipment of approximately RMB17.2 million; (ii) advance to related parties of approximately RMB19.3 million; which partially offset by (iii) dividend income from unlisted equity investment and units in investment funds of approximately RMB0.3 million and RMB0.2 million, respectively; (iv) interest received of approximately RMB0.4 million; and (v) change in pledged bank deposits of approximately RMB3.2 million.

For the year ended 31 December 2019, our net cash used in investing activities was approximately RMB20.1 million, mainly due to (i) purchase of property, plant and equipment of approximately RMB22.3 million; (ii) advance to related parties of approximately RMB1.4 million; which partially offset by (iii) interest received of approximately RMB0.7 million; and (iv) change in pledged bank deposits of approximately RMB2.6 million.

For the year ended 31 December 2020, our net cash used in investing activities was approximately RMB8.2 million, mainly due to (i) purchase of property, plant and equipment of approximately RMB10.6 million; which partially offset by (ii) change in pledged bank deposits of approximately RMB1.5 million; (iii) interest received of approximately RMB0.7 million; and (iv) dividend income from unlisted equity investment of approximately RMB0.2 million.

For the four months ended 30 April 2021, our net cash used in investing activities was approximately RMB2.0 million, mainly due to (i) purchase of property, plant and equipment of approximately RMB2.2 million; (ii) change in pledged bank deposits of approximately RMB0.3 million; which partially offset by (iii) interest received of approximately RMB0.2 million; and (iv) dividend income from unlisted equity investment of approximately RMB0.2 million.

Net cash (used in)/generated from financing activities

For the year ended 31 December 2018, our net cash used in financing activities was approximately RMB12.0 million, mainly attributable to (i) the repayment of bank borrowings of approximately RMB118.2 million; which partially offset by (ii) the proceeds from bank borrowings of approximately RMB120.5 million.

For the year ended 31 December 2019, our net cash generated from financing activities was approximately RMB2.2 million, mainly attributable to (i) proceeds from bank borrowings of approximately RMB112.0 million; which partially offset by (ii) the repayment of bank borrowings of approximately RMB110.1 million.

For the year ended 31 December 2020, our net cash used in financing activities was approximately RMB15.6 million, mainly attributable to (i) the repayment of bank borrowings of approximately RMB79.6 million; which partially offset by (ii) proceeds from bank borrowings of approximately RMB70.2 million.

For the four months ended 30 April 2021, our net cash generated from financing activities was approximately RMB2.0 million, mainly attributable to (i) proceeds from bank borrowings of approximately RMB23.9 million; which partially offset by (ii) the repayment of bank borrowings of approximately RMB21.8 million.

Measures to improve our working capital and cash flow position

We had negative cash flow from operating activities of approximately RMB0.1 million for the four months ended 30 April 2021. Our Directors are of the view that the negative cash flow is temporary as the negative cash flow from operating activities was mainly attributed to purchase of raw materials to cope with the expected sales to our major customers, of which the settlements would be made subsequently. Nevertheless, we have taken and will continue to take various measures to improve our cash flow position by (i) planning and monitoring our liquidity position on a regular basis by regularly assessing necessity and urgency of our major operational expenses; (ii) closely monitoring the collection status of our trade receivables, actively following up with our customers for payment by our sales department led by our deputy general manager; (iii) negotiating for down payment from our customers whose purchase orders are of large amount; (iv) closely monitoring the accumulation of outstanding balance of trade receivables and following up with such customers for settlement in a timely manner; (v) diversifying both our customer base and supplier base to avoid over-reliance on any particular customers and suppliers; (vi) negotiating for longer credit periods from our suppliers leveraging our established relationships; and (vii) maintaining stable relationships with our principal banks to arrange banking facilities for use when necessary.

Our Directors are of the opinion that, taking into consideration the internal resources and banking facilities presently available to our Group, cash generated from our operation, and the estimated net proceeds to be received by us from the Global Offering, our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing on the date of this prospectus. As at the Latest Practicable Date, the Group has cash and cash equivalents of approximately RMB73.0 million and pledged bank deposits of approximately RMB17.4 million, which were deposited in licensed banks in the PRC regulated by the China Banking and Insurance Regulatory Commission and authorised institutions in Hong Kong as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

INDEBTEDNESS

The table below sets out the indebtedness of our Group as at the respective dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2018	2019	2020	2021	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current liabilities					
Bank borrowings	24,287	26,665	15,862	17,776	22,077
Amounts due to related parties	12,801	5,818	—	—	—
	37,088	32,483	15,862	17,776	22,077

Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenant related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing.

Bank borrowings

Bank borrowings were carried at amortised cost and repayable within one year. The ranges of effective interest rates per annum on our bank borrowings are as follows:

	As at 31 December			As at 30 April	As at 31 August
	2018	2019	2020	2021	2021
					(unaudited)
Variable-rate bank borrowings *(Note)*	2.94% to 3.52%	2.55% to 2.68%	0.94% to 1.22%	0.72% to 0.80%	0.48% to 0.75%

Note: The variable-rate borrowings carry the floating-rates at London Inter-Bank Offer Rate ("**LIBOR**") minus basis points or LIBOR plus a premium.

The bank borrowings are secured and guaranteed by (i) certain assets of our Group and the carrying amounts of the assets are as follows:

	As at 31 December			As at 30 April	As at 31 August
	2018	**2019**	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Property, plant and equipment	55,874	52,437	53,034	51,437	49,909
Right-of-use assets	9,759	9,520	9,281	9,200	9,120
Trade receivables	26,202	25,643	17,834	20,413	31,200
	91,835	87,600	80,149	81,050	90,229

(ii) charges over certain properties held by Mr. Zhu and his spouse and personal guarantees by Mr. Zhu and his spouse. Such charges and guarantees by Mr. Zhu and his spouse will be released or have been released prior to the Listing.

As at the Latest Practicable Date, our Group had aggregate unutilised banking facilities of approximately RMB32.0 million.

Amounts due to related parties

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the amounts due to related parties were approximately RMB12.8 million, RMB5.8 million, nil and nil, respectively. The amounts due to related parties were in non-trade nature, unsecured, interest-free and payable on demand.

Our Directors confirm that we have not experienced any withdrawal of facilities, default in payment of bank borrowing or breach of financial covenants during the Track Record Period and up to the Latest Practicable Date.

Lease liabilities

Our Group did not have lease liabilities as at 30 April 2021 as the consideration of lease was one-off payment which was fully prepaid during the acquisition of the rights of PRC long term lease with no other further payments incurred.

ASSETS AND LIABILITIES

The table below sets out our assets and liabilities as at 31 December 2018, 2019 and 2020 and as at 30 April 2021:

Consolidated statements of financial position

	As at 31 December			30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	88,034	94,777	94,365	92,421
Right-of-use assets	9,759	9,520	9,281	9,200
Deposits paid for acquisition of property, plant and equipment	1,796	4,217	1,139	2,076
Interest in a joint venture	242	—	—	—
Intangible assets	39	4	—	—
Financial asset at fair value through other comprehensive income ("**FVOCI**")	1,578	1,643	2,114	1,835
Deferred tax assets	1,785	2,136	1,686	1,287
	103,233	112,297	108,585	106,819
Current assets				
Inventories	34,023	51,449	60,052	73,949
Trade and other receivables	75,219	80,889	98,229	95,058
Financial assets at FVTPL	19,715	24,820	6,211	6,224
Amounts due from related parties	38,789	149	50	50
Pledged bank deposits	23,641	21,036	19,542	19,830
Cash and cash equivalents	23,601	23,649	69,655	68,886
	214,988	201,992	253,739	263,997
Current liabilities				
Trade and other payables	104,705	98,848	118,716	110,064
Contract liabilities	196	781	336	1,451
Bank borrowings	24,287	26,665	15,862	17,776
Amounts due to related parties	12,801	5,818	—	—
Income tax payable	22,149	24,444	21,504	22,950
	164,138	156,556	156,418	152,241
Net current assets	50,850	45,436	97,321	111,756
Total asset less current liabilities	154,083	157,733	205,906	218,575
Non-current liabilities				
Deferred tax liabilities	1,388	2,814	4,272	4,599
Net assets	152,695	154,919	201,634	213,976
Capital and reserves				
Share capital	429	—*	—*	—*
Reserves	152,266	154,919	201,634	213,976
Total equity	152,695	154,919	201,634	213,976

* *The amount is less than RMB1,000.*

DISCUSSION ON SELECTED BALANCE SHEET ITEMS

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly represented buildings, production machinery and equipment, motor vehicles, furniture, fixtures and office equipment, leasehold improvements as well as construction in progress. As at 31 December 2018, 2019 and 2020 and 30 April 2021, our net book value of property, plant and equipment amounted to approximately RMB88.0 million, RMB94.8 million, RMB94.4 million and RMB92.4 million, respectively. The increase in our property, plant and equipment as at 31 December 2019 was mainly due to addition of production machinery and equipment.

Right-of-use assets

The right-of-use assets represented land use rights in the PRC held under long-term lease. As at 31 December 2018, 2019 and 2020 and 30 April 2021, right-of-use assets with a carrying amount of approximately RMB9.8 million, RMB9.5 million, RMB9.3 million and RMB9.2 million, respectively, were pledged as collateral for the Group's bank borrowings.

Deposits paid for acquisition of property, plant and equipment

As at 31 December 2018, 2019 and 2020 and 30 April 2021, our deposits paid for acquisition of property, plant and equipment amounted to approximately RMB1.8 million, RMB4.2 million, RMB1.1 million and RMB2.1 million, respectively. The increase in our deposits paid for acquisition of property, plant and equipment from approximately RMB1.8 million as at 31 December 2018 to approximately RMB4.2 million as at 31 December 2019 mainly represented the deposit paid for the acquisition of brush filling machines.

Pledged bank deposits

The pledged bank deposits mainly represented deposits pledged to banks as security of bills payables and derivative financial instruments. As at 31 December 2018, 2019 and 2020 and 30 April 2021, our pledged bank deposits amounted to approximately RMB23.6 million, RMB21.0 million, RMB19.5 million and RMB19.8 million, respectively.

Inventories

Our inventories primarily consist of raw materials, including polypropylene resins, steel, textiles, packaging materials, work in progress and finished goods.

The following table sets out the summary of our inventories balances as of the dates indicated:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	17,956	22,223	24,710	32,069
Packaging materials	5,978	7,356	9,853	8,954
Work in progress	4,222	13,085	16,224	25,050
Finished goods	5,867	8,785	9,265	7,876
Total	**34,023**	**51,449**	**60,052**	**73,949**

Our balance of inventories increased from approximately RMB34.0 million as at 31 December 2018 to approximately RMB51.4 million as at 31 December 2019, which was mainly due to the increase in raw materials and work in progress by approximately RMB4.3 million and RMB8.9 million, respectively, to cope with the expected sales to our major customers such as Casa Si Marketing — und VertriebsgmbH, one of our five largest customers during the Track Record Period, at the beginning of 2020. Our inventories as at 31 December 2020 increased to approximately RMB60.1 million, which was mainly due to the increase in raw materials and work in progress. Our inventories as at 30 April 2021 increased to approximately RMB73.9 million, which was mainly due to the increase in raw materials and work in progress by approximately RMB7.4 million and RMB8.8 million, respectively, to cope with the expected sales to our major customers such as Casa Si Marketing — und VertriebsgmbH, in the second and third quarters of 2021.

The following table sets out a summary on the aging analysis of inventories as at the dates indicated:

	As at 31 December			As at 30 April	Subsequent utilisation up to the Latest Practicable
	2018	2019	2020	2021	Date
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	13,644	25,266	31,686	36,252	32,933
31 to 90 days	8,118	9,563	19,087	19,880	17,273
91 to 180 days	6,186	6,572	4,668	13,183	9,988
181 to 365 days	3,740	6,313	1,721	3,220	1,833
Over 365 days	2,335	3,735	2,890	1,414	629
	34,023	**51,449**	**60,052**	**73,949**	**62,656**

We periodically review our inventory levels to identify inventories that are slow-moving, obsolete or have declined in market value. Our Directors consider that no provision was made for inventories aged over 90 days during the Track Record Period because (i) substantial portion of such inventories aged over 90 days were raw materials such as polypropylene resins and steel, and packaging materials, which would unlikely become obsolete due to their long life cycle and durability; (ii) our products are common household necessity products which are necessary to keep a house running smoothly and provide comfort and hygiene to users and the demands for which are not materially affected by economic cycle; and (iii) there was no write-down of inventories resulting from the net realisable value of inventories falling below the cost or from any of the inventories being identified as obsolete or slow-moving during the Track Record Period.

The following table sets out the average inventory turnover days for the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2018	2019	2020	2021
Average inventory turnover days *(Note)*	46	64	75	88

Note: Average inventory turnover days are calculated based on the average balance of inventories divided by costs of sales for the relevant year/period and multiplied by the number of days in the relevant year/period. Average balance is calculated as the average of the beginning balance and ending balance of a given year/period.

Our average inventory turnover days was approximately 46 days, 64 days, 75 days and 88 days, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021. The increase in our inventory turnover days to approximately 64 days for the year ended 31 December 2019 was mainly due to the increase in inventories as at 31 December 2019. The increase in average inventory turnover days for the year ended 31 December 2020 was mainly due to the increase in work in progress to cope with the expected sales to our major customers such as Casa Si Marketing — und VertriebsgmbH, which is one of our five largest customers during the Track Record Period, at the beginning of 2021. The increase in inventory turnover days for the four months ended 30 April 2021 was mainly due to the increase in work in progress to cope with the expected sales for the second and third quarters of 2021 to our major customers such as Casa Si Marketing — und VertriebsgmbH.

As at the Latest Practicable Date, approximately RMB62.7 million, representing 84.7% of our inventories as at 30 April 2021, were subsequently used.

Trade and other receivables

The following table sets forth a breakdown of our Group's trade and other receivables as at 31 December 2018, 2019 and 2020 and 30 April 2021:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	67,320	61,049	79,782	79,868
Less: ECL allowance	(275)	(356)	(297)	(174)
	67,045	60,693	79,485	79,694
Derivative financial instruments	4	1,053	1,576	809
Prepayments	3,032	8,851	8,944	5,719
Prepaid listing expenses	—	2,200	3,300	3,671
Other receivables	2,710	2,807	1,973	1,820
VAT recoverable	2,428	5,285	2,951	3,345
	8,174	20,196	18,744	15,364
Total	**75,219**	**80,889**	**98,229**	**95,058**

Trade receivables

Our trade receivables primarily consisted of trade receivables arising from sales of products to our customers. Our net trade receivables decreased from approximately RMB67.0 million as at 31 December 2018 to approximately RMB60.7 million as at 31 December 2019, which was mainly due to more settlement from our customers around the end of 2019. Our net trade receivables increased from approximately RMB60.7 million as at 31 December 2019 to approximately RMB79.5 million as at 31 December 2020, which was mainly due to more sales were made in the year end of 2020. Our trade receivable remained relatively stable at approximately RMB79.5 million and approximately RMB79.7 million at 31 December 2020 and 30 April 2021, respectively.

The following table sets out an ageing analysis of our trade receivables, net of ECL allowance, presented based on the invoice dates (or date of revenue recognition if earlier):

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	37,038	30,464	30,755	37,787
31 to 60 days	12,246	17,695	26,707	25,840
61 to 90 days	10,339	12,050	15,483	12,676
91 to 180 days	4,600	468	6,526	3,296
181 to 365 days	2,822	16	14	95
	67,045	60,693	79,485	79,694

The following table sets out an ageing analysis of our trade receivables, net of ECL allowance, presented based on the due dates:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	48,195	55,547	73,359	62,572
Less than 90 days past due	13,725	5,096	6,112	16,943
Over 90 days past due	5,125	50	14	179
	67,045	60,693	79,485	79,694

In determining the allowance for trade receivables, our management takes into account the credit history including default or delay in payments, settlement records, subsequent settlements, aging analysis of the trade receivables, existing market conditions and forecasts of future economic conditions.

The following table sets out the average trade receivables turnover days for the years and period indicated:

	For the year ended 31 December			For the four months ended 30 April
	2018	2019	2020	2021
Average trade receivables turnover days *(Note)*	67	70	67	76

Note: Average trade receivables turnover days are calculated based on the average of the beginning and ending gross balance of trade receivables for the year/period divided by the revenue for the year/period and multiplied by the number of days in the year/period.

We generally grant a credit period between 0 to 100 days to our customers. Our trade receivables turnover days were relatively stable at 67 days, 70 days, 67 days and 76 days, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, respectively, of which those were in line with our general credit period granted. Our finance department shall closely review the aging analysis of our trade receivables on a monthly basis. Our sales team is responsible for monitoring the collectability of such receivables of our customers and shall actively follow up with the relevant customers in case of any delay in payment. Our sales department and finance department shall have a meeting together to discuss the overdue trade receivables and find out the corresponding solutions on a monthly basis. If necessary, certain overdue trade receivables will be reported to the deputy general manager. As at the Latest Practicable Date, approximately RMB16.9 million, or 98.8%, of our overdue trade receivables as at 30 April 2021 had been subsequently settled.

Our Group measures loss allowances for trade receivables at an amount equal to lifetime ECL. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. For details of credit risk and ECL for trade receivables, please refer to Note 20 and Note 33.4 to the Accountants' Report set out in Appendix I to this prospectus.

As at 31 December 2018, 2019 and 2020 and 30 April 2021, we had ECL allowance of approximately RMB0.3 million, RMB0.4 million, RMB0.3 million and RMB0.2 million for the trade receivables due from the customers. Considering (i) the trade receivables balances were due from customers with ongoing business relationship with our Group; (ii) there were no on-going disputes with such customers; (iii) our long-term business relationship with these customers; and (iv) these customers had been making continuous repayment to our Group and their historical repayment pattern were generally consistent during the Track Record Period, our Directors are of the view that adequate expected loss provision has been made.

As at Latest Practicable Date, approximately RMB79.2 million, representing 99.3% of our trade receivables as at 30 April 2021, were subsequently settled.

Derivative Financial Instruments

Derivative financial instruments represented certain US$/RMB forward foreign exchange contracts entered into by our Group with banks which were classified as held for trading and not under hedge accounting.

As at 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, the derivative financial instruments were secured by pledged bank deposits of approximately RMB6.9 million, RMB6.4 million, RMB1.2 million and RMB1.8 million, respectively.

Prepayments and other receivables

Prepayments and other receivables mainly represented our prepayments for purchasing equipment, raw materials and other expenses, and VAT recoverable. Our prepayments and other receivables amounted to approximately RMB8.2 million, RMB19.1 million, RMB17.2 million and RMB14.6 million respectively, during the Track Record Period. The increase in prepayments and other receivables to approximately RMB19.1 million as at 31 December 2019 was mainly due to (i) the increase in prepayment to our major suppliers of approximately RMB3.9 million for securing the suppliers of polypropylene resins; and (ii) the incurrence of the prepaid Listing expenses in 2019. The decrease in prepayments and other receivables from approximately RMB17.2 million as at 31 December 2020 to approximately RMB14.6 million as at 30 April 2021 was mainly due to the decrease in prepayments to our suppliers, which are mainly our suppliers of polypropylene resins, from approximately RMB4.5 million as at 31 December 2020 to approximately RMB0.3 million as at 30 April 2021.

The increase in prepayment to our major suppliers of approximately RMB3.9 million in 2019 was due to the facts that (i) we could negotiate more favourable price of polypropylene resins with some of our major suppliers if we made advance payment; (ii) polypropylene resins are one of our major raw materials which we commonly consume in our production; and (iii) our preventive measure to minimise any potential negative impact on our supply chain resulting from the COVID-19 outbreak after we noticed that a number of infected cases were identified and reported in Hubei Province in late 2019.

VAT recoverable

VAT recoverable mainly represented the VAT refund in relation to export sales and the input VAT generated from our purchase. The balance increased from approximately RMB2.4 million as at 31 December 2018 to approximately RMB5.3 million as at 31 December 2019, which was mainly to due to the increase in input VAT balance resulting from the purchase of machinery and production equipment of approximately RMB14.8 million in 2019. Our VAT recoverable decreased to approximately RMB3.0 million as at 31 December 2020, which mainly due to the settlement of tax rebate in relation to the export sales in November 2020 before the year end while the balance as at 31 December 2019 mainly included the tax rebate in relation to the export sales in November and December 2019. Our VAT recoverable remained relatively stable at approximately RMB3.3 million as at 30 April 2021.

Financial assets at FVOCI

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investment, at fair value	1,578	1,643	2,114	1,835

This represented investment in an unlisted private entity, Deqing County Business Guarantee Co Ltd* (德清縣商務融資擔保有限公司), which was incorporated in the PRC and principally engaged in provision of financing guarantee. Our Group designated its investment in the unlisted equity investment as FVOCI (non-recycling), as this investment is held for the strategic purpose.

The dividend income received related to the unlisted equity investments, which was credited to profit or loss as other income, for the years ended December 2018, 2019 and 2020 and the four months ended 30 April 2021 were approximately RMB0.3 million, RMB0.2 million, RMB0.2 million and RMB0.2 million, respectively.

Financial assets at FVTPL

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Units in investment funds, at fair value	4,412	—	—	—
Unlisted wealth management products, at fair value	15,303	24,820	6,211	6,224
	19,715	24,820	6,211	6,224

The carrying amounts of the above financial assets are classified as held for trading and are mandatorily measured at FVTPL in accordance with HKFRS 9. The wealth management products are issued by financial institutions in which the principal amount and investment return are unsecured, unguaranteed and carry at a variable rate of return based on the performance of underlying investment portfolio.

Units in investment funds represented our investment in two funds, which we subscribed through a commercial bank. We disposed our investment in such funds in 2019.

Unlisted wealth management products represented wealth management plans which were managed by licensed financial institutions in the PRC. The carrying amounts of such increased from approximately RMB15.3 million as at 31 December 2018 to approximately RMB24.8 million as at 31 December 2019, which was mainly due to our investment in a new wealth management plan during the year. We made investment in such wealth management products in 2019 primarily for the purpose of gaining higher investment returns than the fixed rate returns from cash deposits at banks during the year. As at 31 December 2020, the carrying amounts decreased to approximately RMB6.2 million, which was mainly due to (i) the early redemption of part of our investment in a wealth management product issued by Bank of Hangzhou, which the principal amount decreased from approximately RMB16.2 million as at 31 December 2019 to approximately RMB6.2 million as at 31 December 2020 and (ii) the disposal of a wealth management product issued by Agricultural Bank of China with principal amount of RMB8.5 million during the year. As at 30 April 2021, the carrying amounts remained relatively stable at approximately RMB6.2 million.

The wealth management contracts were generally described as having low risks in the product description manuals published by the issuing banks. The following table sets out the material terms of our wealth management products during the Track Record Period:

	Issuing bank	Principal amount/Costs — For the years ended 31 December 2018	2019	2020	For the four months ended 30 April 2021	Risk level	Principal-protected	Expected return	Maturity dates
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*				
1.	Bank of China	3,000	—	—	—	Moderately Low	Not principal guaranteed	3.00%	Redeemable upon request
2.	Agricultural Bank of China	8,500	8,500	—	—	Moderately Low	Not principal guaranteed	3.55%	25 June 2020
3.	Bank of Hangzhou	—	16,249	6,249	6,224	Low	Not principal guaranteed	3.10%	31 December 2023
4.	Bank of Hangzhou	3,900	—	—	—	Moderately Low	Not principal guaranteed	4.35%	31 October 2027

Our treasury and investment policy

We have adopted a treasury and investment policy to monitor and control risks relating to our investment activities, which includes the following measures:

(i) Our investments shall complement our development strategies, be of an appropriate scale, and shall not affect our principal business operations;

(ii) Our investments shall comply with relevant laws and regulations;

(iii) Our treasury and investment department is responsible for execution and implementation of treasury investment, reviewing and reporting to the Board;

(iv) We evaluate the risks associated with the underlying financial instruments based on the risk classification provided by the issuing licensed commercial banks. We are not allowed to invest in investment products of high risk levels; and

(v) Our management shall consider, on a case-by-case basis, among other things, prior to making an investment, the allocation of resources across our various investments, the risk level of the product, the creditworthiness of the issuer, the estimated investment return, market acumen, liquidity requirement of our Group and compliance requirement of our Group. Our investment portfolio and policies are reviewed by our management on a regular basis.

Valuation of our financial assets categorised within level 3

We have invested in wealth management products issued by banks for short-term cash flow and treasury management purposes, mainly including variable-income based wealth management products, and the unlisted equity investment for strategic purpose during the Track Record Period which were categorised under the level 3 fair value measurement regarding HKFRS 13. Our Directors are aware of and have complied with the "Guidance note on directors" duties in the context of valuations in corporate transactions" issued by the SFC on 15 May 2017. The fair value of our Group's unlisted wealth management products and the unlisted equity investment during the Track Record Period have been arrived at on the basis of valuation carried out by AVISTA Valuation Advisory Limited ("**AVISTA**"), an independent professional qualified valuer.

The fair value of unlisted wealth management products was determined by discounted cash flow model based on the expected rate of return stated in each product's manual. Each product's expected rate of return was not guaranteed and depended on the market price of its underlying financial instruments. In relation to the valuation of the variable-income based wealth management products, our Directors (i) reviewed each product's product manual; (ii) reviewed the valuation report provided and the basis applied by AVISTA; and (iii) determined if the fair value measurement of Level 3 financial instruments is in compliance with the applicable HKFRSs. Based on the above procedures, our Directors are of the view that the valuation is reasonable, and the related disclosure in the financial statements of our Group are properly prepared.

The fair value of unlisted private entity was determined by market comparable approach. In relation of the valuation of the unlisted equity investment, our Directors (i) reviewed the valuation report provided and the available market information of comparable companies provided by AVISTA; (ii) reviewed the basis applied by AVISTA including but not limited to the discount for lack of marketability; and (iii) determined if the fair value measurement of Level 3 financial instruments is in compliance with the applicable HKFRSs. Based on the above consideration, our Directors are of the view that the valuation is fair and reasonable and the related disclosure in the financial statements of our Group are properly prepared.

Grant Thornton Hong Kong Limited, our reporting accountants, have reviewed the valuations of the financial assets categorised within level 3 for the purpose of expressing their audit opinion on the Historical Financial Information of our Group. Details of the fair value measurement of our level 3 financial instruments, particularly the fair value hierarchy and the valuation techniques are disclosed in note 33.7(ii) to the Accountants' Report attached as Appendix I to this prospectus in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The reporting accountants' opinion on the Historical Financial Information of our Group for the Track Record Period as a whole is set out on I-2 of the Appendix I of this prospectus.

In relation to the valuation analysis on our Group's financial assets categorised within level 3, the Sole Sponsor conducted relevant due diligence work, including but not limited to (i) review of the relevant notes in the Accountants' Report attached as Appendix I to this prospectus; (ii) review of the wealth management product manuals of our Group; (iii) engagement of independent search agent to conduct background search on the unlisted private entity; (iv) discussion with our Company, the reporting accountants and AVISTA about the key basis and assumptions for the valuation of its financial assets categorised within level 3; and (v) discussion with the reporting accountants in respect of the audit procedures they have conducted and their concurring views on the valuation methodologies, assumptions and results. Having considered the work done by and the views of our Directors and the reporting accountants, and the due diligence performed, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by our Company and AVISTA, and reviewed by the reporting accountants.

Amounts due from related parties

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the amounts due from related parties were approximately RMB38.8 million, RMB0.1 million, RMB50,000 and RMB50,000, respectively. The amounts due from related parties were unsecured, interest-free, repayable on demand and non-trade nature. The outstanding balance has been settled prior to the Listing.

Trade and other payables

The following table sets forth the components of our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables				
Trade payables	34,016	42,025	48,161	40,549
Bills payables	62,439	45,537	59,105	58,331
	96,455	87,562	107,266	98,880
Other payables and accruals				
Accrued listing expenses	—	1,632	960	2,527
Accrued expenses and other payables	910	964	1,045	934
Payable for purchase of property, plant and equipment	1,109	534	1,383	444
Staff costs and welfare accruals	5,740	7,288	7,288	6,263
Other tax payables	491	868	774	1,016
	8,250	11,286	11,450	11,184
Total	**104,705**	**98,848**	**118,716**	**110,064**

Trade and bills payables

Our trade and bills payables primarily consisted of the amount due to our suppliers for our raw materials and plastic injection moulding service. Our trade and bills payables decreased from approximately RMB96.5 million as at 31 December 2018 to approximately RMB87.6 million as at 31 December 2019, which was mainly due to the combined effect of (i) the increase in the balance of trade payables which was in line with the increase in our purchase of raw materials during the year; and (ii) the decrease in the balance of bills payables during the year. Our trade and bills payables increased to approximately RMB107.3 million as at 31 December 2020, which was mainly due to the increase in the balance of bill payables for the year/period. Our trade and bills payable decreased to RMB98.9 million as at 30 April 2021, which was due to the settlement of trade payables.

We are generally granted by suppliers a credit period of 0 to 60 days and the bills payables have a maturity period of 90 to 180 days. The following table sets forth an ageing analysis of trade and bills payables presented based on the invoice dates or issuance date at the end of each reporting year:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	38,238	35,955	32,686	34,321
31 days to 60 days	12,631	17,462	23,905	16,820
61 days to 90 days	17,525	6,045	17,223	15,079
91 days to 180 days	27,307	26,956	32,283	32,161
181 days to 365 days	539	136	294	56
Over 365 days	215	1,008	875	443
	96,455	87,562	107,266	98,880

The following table sets forth the average trade payables turnover days for the years/period indicated:

	For the year ended 31 December			For the four months ended 30 April
	2018	2019	2020	2021
Average trade payables turnover days *(Note)*	58	57	61	58

Note : Average trade payables turnover days are calculated based on the average trade payables as at the respective year/period, divided by the cost of sales for the relevant year/period and multiplied by the number of days in the relevant year/period.

Our trade payables turnover days were relatively stable at approximately 58 days, 57 days, 61 days and 58 days for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, which were generally in line with the credit terms granted by our suppliers.

As at the Latest Practicable Date, approximately RMB38.6 million, representing approximately 95.2% of our trade payables as at 30 April 2021, were subsequently settled.

Other payables and accruals

Our other payables and accruals mainly represented accrued staff cost, accrued expenses, payables for purchase of property, plant and equipment and other tax payables. Our other payables and accruals increased from approximately RMB8.3 million as at 31 December 2018 to approximately RMB11.3 million as at 31 December 2019, which was primarily attributable to (i) the increase in accrued staff cost; and (ii) the occurrence of accrued Listing expenses as at 31 December 2019. Our other payables and accruals remained relatively stable at approximately RMB11.5 million and RMB11.2 million, respectively, as at 31 December 2020 and 30 April 2021.

Income tax payables

Our income tax payables increased from approximately RMB22.1 million as at 31 December 2018 to approximately RMB24.4 million as at 31 December 2019, which was mainly due to the increase in income tax expense resulting from the increase in assessable profits. Our income tax payables decreased to approximately RMB21.5 million as at 31 December 2020, which was mainly due to the higher income tax paid during the year. Our income tax payables of approximately RMB23.0 million was relatively stable as at 30 April 2021.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditures principally consisted of expenditures on property, plant and equipment. We incurred cash flows on capital expenditures for the purchase of property, plant and equipment in the amounts of approximately RMB17.2 million, RMB22.3 million, RMB10.6 million and RMB2.2 million, respectively, for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021.

Please also refer to the paragraphs headed "Business — Production facility" for further information regarding our machinery and equipment.

COMMITMENTS

Lease commitments

As at 31 December 2018, 2019 and 2020 and 30 April 2021, our lease commitments for short-term leases as follows:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	90	107	429	263

Capital commitments

As at 31 December 2018, 2019 and 2020 and 30 April 2021, our capital commitments were as follows:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for property, plant and equipment	153	—	733	1,641

CONTINGENT LIABILITIES

As at 31 December 2018, 2019 and 2020 and 30 April 2021, we did not record any significant hire purchase commitment, contingent liabilities, guarantee or any litigation against us. We confirm as at the Latest Practicable Date that there have been no material changes to our contingent liabilities.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 30 April 2021, please refer to "Recent developments and no material adverse change" in this section and note 35 of the Accountants' Report in Appendix I in this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangement.

PROPERTY INTEREST AND PROPERTY VALUATION

Our property Valuer, AVISTA Valuation Advisory Limited, has valued our Group's property as at 31 August 2021 at RMB98,432,000. Details of the valuation are summarised in Appendix III to this prospectus.

The following table sets out a reconciliation of the fair value of our Group's property interest as at 31 August 2021 to their net book value as at 30 April 2021, details of which is set out in notes 13 and 14 of the Accountants' Report in Appendix I to this prospectus for further details:

	RMB'000
Net book value of the property as at 30 April 2021	57,577
Less: Movements for the four months ended 31 August 2021	
— Depreciation and amortisation (unaudited)	(1,215)
Net book value of the property as at 31 August 2021 (unaudited)	56,362
Net valuation surplus	42,070
Valuation as at 31 August 2021	98,432

MATERIAL RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in notes 24 and 32 to the Accountants' Report in Appendix I in this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available from Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

Save for the transactions between our Group with our connected parties, none of the related party transactions set out in notes 24 and 32 to the Accountants' Report in Appendix I to this prospectus will continue after the Listing. For further details, please refer to the section headed "Continuing connected transactions" and the paragraphs headed "Business — Our suppliers — Plastic injection service providers" in this prospectus.

KEY FINANCIAL RATIOS

The table below sets forth our selected key financial ratios during the Track Record Period:

	As at/For the year ended 31 December			**As at/for the four months ended 30 April**
	2018	**2019**	**2020**	**2021**
Gross profit margin *(Note 1)*	27.7%	28.1%	29.7%	27.6%
Net profit margin *(Note 2)*	12.5%	10.1%	12.0%	9.4%
Gearing ratio *(Note 3)*	24.3%	21.0%	7.9%	8.3%
Current ratio *(Note 4)*	1.3	1.3	1.6	1.7
Quick ratio *(Note 5)*	1.1	1.0	1.2	1.2
Return on equity *(Note 6)*	26.8%	22.0%	22.9%	16.9%
Return on assets *(Note 7)*	12.9%	10.8%	12.8%	9.8%
Net debt to equity ratio *(Note 8)*	8.8%	5.7%	Net cash	Net cash

Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year/period and multiplied by 100%.

2. The net profit margin is calculated by dividing the net profit by the revenue for the respective year/period and multiplied by 100%.

3. The gearing ratio is calculated by dividing total debt by the total equity as at the end of respective year/period and multiplied by 100%. Total debt is defined to include bank borrowings and amounts due to related parties which are in non-trade nature.

4. The current ratio is calculated by dividing total current assets by total current liabilities as at the end of the respective year/period.

5. The quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the end of respective year/period and multiplied by 100%.

6. Return on equity equals the net profit attributable to equity holders of our Company for the year/period divided by the total equity as at the end of the respective year/period and multiplied by 100%. Return on equity for the four months ended 30 April 2021 is calculated on an annualised basis.

7. Return on assets is calculated by the net profit attributable to equity holders of our Company for the year/period divided by the total assets as at the end of the respective year/period multiplied by 100%. Return on assets for the four months ended 30 April 2021 is calculated on an annualised basis.

8. Net debt to equity ratio is calculated as net debts (i.e. total debt net of cash and cash equivalents) divided by total equity and multiplied by 100%.

Gross profit margin

Our gross profit margin was approximately 27.7%, 28.1%, 29.7% and 27.6% during the Track Record Period. Please refer to the paragraphs headed "Financial information — Period to period comparison of results of operations" in this section for details of our gross profit margin.

Net profit margin

Our net profit margin was approximately 12.5%, 10.1%, 12.0% and 9.4% during the Track Record Period. The decrease in net profit margin to approximately 10.1% for the year ended 31 December 2019 was mainly due to the incurrence of the Listing expenses, which were one-off in nature. Please refer to the paragraphs headed "Financial information — Period to period comparison of results of operations" in this section for details of our net profit margin.

Gearing ratio

Our gearing ratio decreased from approximately 24.3% as at 31 December 2018 to approximately 21.0% as at 31 December 2019, primarily due to the decrease in amounts due to related parties and the increase in our total equity. Our gearing ratio decreased from approximately 21.0% as at 31 December 2019 to approximately 7.9% as at 31 December 2020 primarily due to the decrease in amount due to related parties and bank borrowings and the increase in our total equity. Our gearing ratio remained relatively stable at approximately 8.3% as at 30 April 2021.

Current ratio

Our current ratio remained stable at approximately 1.3 times and 1.3 times, respectively, as at 31 December 2018 and 2019. Our current ratio increased from approximately 1.3 times as at 31 December 2019 to approximately 1.6 times as at 31 December 2020 mainly due to the increase in cash and cash equivalents. Our current ratio remained stable at approximately 1.7 times as at 30 April 2021.

Quick ratio

Our quick ratio was approximately 1.1 times, 1.0 time, 1.2 times and 1.2 times during the Track Record Period. Our quick ratio decreased from approximately 1.1 times as at 31 December 2018 to approximately 1.0 time as at 31 December 2019 mainly due to the increase in our inventories during the year. Our quick ratio increased from approximately 1.0 time as at 31 December 2019 to approximately 1.2 times as at 31 December 2020 mainly due to the increase in cash and cash equivalents. Our quick ratio remained relatively stable at approximately 1.2 times as at 30 April 2021.

Return on equity

Our return on equity decreased from approximately 26.8% for the year ended 31 December 2018 to approximately 22.0% for the year ended 31 December 2019, which was mainly due to the Listing expenses incurred during the year. Our return on equity remained relatively stable at approximately 22.9% for the year ended 31 December 2020. Our return on equity decreased to approximately 16.9% for the four months ended 30 April 2021, on an annualised basis, mainly due to the decrease in net profit for the four months ended 30 April 2021.

Return on assets

Our return on assets decreased from approximately 12.9% for the year ended 31 December 2018 to approximately 10.8% for the year ended 31 December 2019, primarily due to the Listing expenses incurred during the year. Our return on assets increased from approximately 10.8% for the year ended 31 December 2019 to approximately 12.8% for the year ended 31 December 2020, mainly due to the increase in net profit for the year ended 31 December 2020. Our return on assets decreased to approximately 9.8% for the four months ended 30 April 2021, on an annualised basis, mainly due to the decrease in net profit for the four months ended 30 April 2021.

Net debt to equity ratio

Our net debt to equity ratio decreased from approximately 8.8% as at 31 December 2018 to approximately 5.7% as at 31 December 2019. Such decrease was mainly due to the decrease in amount due to related parties as at 31 December 2019. We recorded net cash position as at 31 December 2020 and 30 April 2021.

FINANCIAL RISK MANAGEMENT

During our conduct of business, we are exposed to various types of market risks including foreign currency risk, interest rate risk, credit risk and liquidity risk.

Details of the risks to which we are exposed to are set out in note 33 to the Accountants' Report set out in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

DIVIDENDS

For the year ended 31 December 2019, RMB31.5 million dividends has been declared and paid by Grand Resources to its then shareholders, which was credited to current accounts with the then shareholders. The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospect, capital requirements, and economic outlook. Declaration and payment of dividends is also subject to any applicable laws and the Articles of Association. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Currently, our Group does not have a fixed dividend policy and does not have a predetermined dividend distribution ratio.

After completion of the Global Offering, while we currently have no plans to pay dividends to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. We will re-evaluate our dividend policy annually. Our Board has the discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

LISTING EXPENSES

The total estimated Listing expenses in connection with the Global Offering are approximately RMB45.2 million (equivalent to approximately HK$51.5 million), representing approximately 37.5% of the gross proceeds from the Global Offering (based on the mid-point of the Offer Price of HK$1.1 per Offer Share and assuming no Over-allotment Option will be exercised), of which approximately RMB6.0 million (equivalent to approximately HK$6.8 million), approximately RMB7.7 million (equivalent to approximately HK$8.8 million) and approximately RMB1.2 million (equivalent to approximately HK$1.4 million) were charged to profit or loss for the years ended 31 December 2019 and 2020 and for the four months ended 30 April 2021, respectively, and additional amounts of approximately RMB11.1 million (equivalent to approximately HK$12.7 million) is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2021, and the remaining amount of approximately RMB19.2 million (equivalent to approximately HK$21.8 million) is expected to be accounted for as a deduction from equity upon the Listing.

Our Directors consider that our financial results will be affected by the expenses in relation to the Global Offering as we expect to recognise approximately RMB12.3 million (equivalent to approximately HK$14.1 million) in the consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2021. Accordingly, the financial performance for the year ending 31 December 2021 is expected to be adversely affected by (i) the estimated expenses in relation to the Listing; and (ii) the expenses to be incurred after the Listing such as Directors' fee and legal and professional fees.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For details of our unaudited pro forma adjusted consolidated net tangible assets, please refer to the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model had remained unchanged since the end of the Track Record Period and up to the Latest Practicable Date. We have been (i) adjusting and enriching out product portfolio according to the prevailing circumstances and consumers' demand to ensure that we would remain the supplier of choice of our customers and could cope well with the ever-changing market conditions; and (ii) actively expanding our business operations in different markets, especially in PRC, such that we would become less vulnerable to unfavourable developments that may arise from time to time in any specific market. Since May 2020, our Group began selling household necessity products under our own brands in the United Kingdom.

Up to the Latest Practicable Date, we had confirmed sales orders of approximately RMB296.5 million, which are delivered after the Track Record Period. Of those sales orders, approximately RMB145.6 million was completed from May to August 2021, and approximately RMB150.9 million is expected to be completed for the year ending 31 December 2021.

Nearly all of our Group's products sold to the United States appear to fall under List 4A or List 3 which is subject to an additional duty of 7.5% or 25%. Only one type of product (window cleaning set) was under List 4B, of which as at the Latest Practicable Date, additional duty is currently suspended. As at the Latest Practicable Date, our Directors confirm that we have not been asked to reduce the selling price of our products which fall into the ambit of List 3 or List 4A or List 4B or to bear any of such duty for which our customers was responsible. Regarding our products sold to the United States, which are under List 3 (i.e. 25% duty rate), List 4A (i.e. 7.5% duty rate) and List 4B (i.e. 7.5% duty rate which is, as at the Latest Practicable Date, suspended), our Directors are of the view that the demand and the average selling prices of these products will not be materially and adversely affected. For further details, please refer to the section headed "Business — Impact of the trade war on our business" in this prospectus.

Following the outbreak of COVID-19 in the PRC and globally, the major markets for our products including the United States, the United Kingdom, Germany and Australia had been affected by the COVID-19 pandemic. Since the outbreak of COVID-19 globally and up to the Latest Practicable Date, the governments in these countries had implemented various measures to prevent further spread of the pandemic whereby our export sales to these countries may be adversely affected due to city lockdown and restrictions on logistics and transportation. Our Directors expect that the impact of COVID-19 outbreak on the household necessity market in these countries is short term on the basis that (i) the demand for household necessity products is less affected as they are necessary items for all households; (ii) the increased popularity of online shopping by consumers which allows them to buy household necessary products online in the event of closure of physical stores following the lockdown measures; (iii) recent breakthrough in the development and use of vaccines for preventing and curing COVID-19 infections by well-established international pharmaceutical companies; and (iv) the overall deceasing trend of daily new confirmed cases in the United States, United Kingdom and Germany since January 2021 despite there were surges in daily new confirmed cases from time to time and the emergence of COVID-19 variants and (v) the easing of national partial lockdown measures in the United Kingdom since mid-July 2021.

For details of the potential impact of the COVID-19 outbreak on our Group, please refer to the paragraphs headed "Risk factors — Risks relating to our business — Our business operations and financial results may be adversely affected by the recent global outbreak of COVID-19" and "Business — Impact of the outbreak of COVID-19" in this prospectus.

Our Directors are of the view that the potential impact of the outbreak of COVID-19 on our Group's business operations and financial conditions is only temporary and short-term. Notwithstanding that, our Directors' assessment of the impact is based on information available up to the Latest Practicable Date and hence, our Directors' assessment may change over time along further spread of the COVID-19 infection, the measures implemented by the various governments to control its spread and the effectiveness of the treatment of COVID-19 infection.

Saved as disclosed in the paragraph headed "Listing expenses" in this section, our Directors confirmed that since 30 April 2021 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I in this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraphs headed "Business — Our business strategies" in this prospectus for details of our business objectives and strategies.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses paid and payable by our Group in connection with the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.1 per Share (being the mid-point of the indicative Offer Price range of HK$1.0 to HK$1.2), will be approximately HK$86.1 million (equivalent to approximately RMB75.5 million).

Our Directors consider that the net proceeds from the Global Offering together will be sufficient to finance the implementation of our Group's business plans as set forth in the paragraphs headed "Implementation plans" in this section. Investors should be aware that any part of our Group's business plans may not proceed according to the time frame as described above due to various factors. Under such circumstances, our Directors will evaluate carefully the situation and will set aside the funds as short-term deposits until the relevant business plan(s) materialise.

Our Directors intend to apply such net proceeds as follows:

- Approximately RMB41.5 million (equivalent to approximately HK$47.3 million), representing approximately 55.0% of the net proceeds from the Global Offering, will be allocated for the construction of a new production plant to be located in proximity to our Huzhou Production Plant (the "**New Production Plant**"), of which (i) approximately RMB11.9 million will be the land acquisition costs; (ii) approximately RMB14.0 million will be used for the construction of our production facility; (iii) approximately RMB15.5 million will be used for acquiring and installing new plastic injection machines for our New Production Plant; and (iv) approximately RMB0.1 million will be used for acquiring new ancillary machinery and equipment for our New Production Plant.

  Considering (i) the machinery and equipment in our Huzhou Production Plant had almost reached their full utilisation and for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, the utilisation rates of our plastic injection machines for producing laundry products were approximately 94.4%, 95.8%, 91.0% and 93.2%, respectively; and that for household cleaning tools were approximately 99.1%, 93.8%, 95.0% and 93.2%, respectively; (ii) the space constraint and the layout of our existing Huzhou Production Plant which limit the number of plastic injection moulding machines we can install in the Huzhou Production Plant; and

(iii) the stable growth in the drying rack market and household cleaning tool market in the destination countries to which our products are delivered and the corresponding market in the PRC, we have an imminent need to increase our production capacity.

In this connection, we have identified a parcel of land in Huzhou close to our Huzhou Production Plant with a total site area of approximately 16,000 sq.m. for the construction of the New Production Plant with expected gross floor area of approximately 21,900 sq.m. to house 64 plastic injection machines, 60 automated robotic arms and a conveying belt and system, and to set up a smart warehouse. For details of the new machinery and equipment that will be installed in our New Production Plant, please refer to the paragraphs headed "Business — Our business strategies — Expand our production capacity by establishing the New Production Plant — (ii) Acquisition of new machinery and equipment for the New Production Plant" in this prospectus.

The New Production Plant is mainly used for production of the plastic components of our products which will be delivered to our Huzhou Production Plant for assembling and further processing to finished products. By doing so, we can reduce our reliance on the three external plastic injection service providers, who are connected parties to our Company, in undertaking part of plastic injection moulding process.

We expect that after commencement of the use of the new machinery and equipment in the New Production Plant aligned with the completion of upgrading our Huzhou Production Plant, our maximum annual designed capacity of (i) laundry products is expected to reach approximately 2,658,000 units by the end of 2023; and (ii) household cleaning tools is expected to reach approximately 13,378,000 units by the end of 2023.

- Approximately RMB6.0 million (equivalent to approximately HK$6.8 million), representing approximately 7.9% of the net proceeds from the Global Offering, will be allocated for enhancing the production efficiency of our Huzhou Production Plant by acquiring new machinery and equipment, including two automated powder coating lines, two semi-automated brush filling machines and two automated plastic spraying machines, together with other new machinery and equipment.

  To cope with the projected increase in the production volume of the plastic parts of our products upon commencement of operation of the New Production Plant, our Huzhou Production Plant, which will focus on powder coating, plastic spraying, brush filling and product assembly, shall enhance its production efficiency correspondingly as the average remaining useful life of our major machinery and equipment ranged from zero years to 6.8 years as at the Latest Practicable Date.

- Approximately RMB1.6 million (equivalent to approximately HK$1.8 million), representing approximately 2.1% of the net proceeds from the Global Offering, will be used to develop an integrated smart manufacturing system to allow us to monitor each state of production in real time basis and respond timely to any changes in production conditions.

- Approximately RMB11.3 million (equivalent to approximately HK$12.9 million), representing approximately 15.0% of the net proceeds from the Global Offering, will be allocated for expanding our sales and marketing network in both overseas markets and the PRC market.

  In order to capture the expected growth drying rack markets and the household cleaning tool markets in the destination countries of our laundry products and household cleaning tools, (for details of the expected growth in respective market, please see the section headed "Industry overview" in this prospectus and the paragraph headed "Business — Our business strategies — Strengthen our sales and marketing network" in this prospectus) we plan to expand our sales network by (i) recruiting nine sales and marketing staff, five of whom are responsible for devising our marketing plan and identifying new sales channels for our products in the PRC and four of whom are responsible for maintaining our relationships with our existing overseas customers and exploring more customers in the overseas market; (ii) strengthen our online sales through more e-shop platforms and setting up a new flagship online shop; (iii) expanding and exploring more effective online marketing strategies; and (iv) attending more industry exhibitions and trade fairs.

- Approximately RMB7.6 million (equivalent to approximately HK$8.7 million), representing approximately 10.0% of the net proceeds from the Global Offering, will be allocated for strengthening our design and development capabilities to enrich our product offering and diversify our product portfolio.

  We plan to strengthen our research and development capability with a view to (i) improving our product design; and (ii) improving our production techniques to achieve better production efficiency and cost saving. To this end, we plan to acquire advanced design software and equipment, recruit additional three engineers and three product designers with extensive industry experience, provide continuous trainings to our design and development staff and cooperate with universities and research institutes in the PRC.

- Approximately RMB7.5 million (equivalent to approximately HK$8.6 million), representing approximately 10.0% of the net proceeds from the Global Offering, will be used for general working capital purpose.

IMPLEMENTATION PLANS

In pursuance of the above business objectives, the implementation plans of our Group are set forth below from the Listing Date to 31 December 2023. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to the paragraph headed "Bases and assumptions" in this section below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk factors" of this prospectus. Therefore, there is no assurance that our Group's business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

	Intended capital expenditure (a)	Use of proceed: For the year ending 31 December 2021	2022	2023	Total (b)	Approximate % of net proceed	From internal resources and/or bank or other financing ((a-b), except for general working capital)
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*		*RMB' million*
Establishment of New Production Plant and warehouse							
— Acquisition of land	11.9	11.9	—	—	11.9	15.8%	—
— Construction of New Production Plant	23.6	1.1	12.6	0.3	14.0	18.6%	9.6
— Purchase of plastic injection machines	15.5	—	7.9	7.6	15.5	20.5%	—
— Purchase of ancillary machinery and equipment	11.1	—	0.1	—	0.1	0.1%	11.0
Purchase of machinery and equipment for our Huzhou Production Plant	6.8	—	3.4	2.6	6.0	7.9%	0.8
Development of an integrated smart manufacturing system	2.0	—	1.6	—	1.6	2.1%	0.4
Expanding and strengthening our sales and marketing capacities							
— Recruiting additional sales and marketing	2.1	0.1	0.8	1.2	2.1	2.8%	—
— Strengthening our online sale	1.4	1.0	0.2	0.2	1.4	1.9%	—
— Expanding and exploring more effective manufacturing strategies	2.9	0.2	1.2	1.1	2.5	3.3%	0.4
— Participating in industry exhibitions and fairs	5.3	0.9	1.6	2.8	5.3	7.0%	—
Strengthening our design and development capabilities							
— Acquisition of advanced design software and equipment	4.3	0.9	1.7	1.7	4.3	5.7%	—
— Recruitment of expertise who possess extensive industry experience	1.2	0.1	0.5	0.6	1.2	1.6%	—
— Provision of continuous trainings to our design and development staff	1.8	0.2	0.8	0.8	1.8	2.3%	—
— Co-operate with universities and research institutes in the PRC	0.7	—	0.3	—	0.3	0.4%	0.4
General working capital *(Note)*	—	3.8	3.7	—	7.5	10.0%	—
Total	90.6	20.2	36.4	18.9	75.5	100.0%	22.6

Note: The general working capital does not constitute part of the total amount required for our implementation plan.

If the Offer Price is finally determined to be more than or lower than HK$1.1 per Offer Share, being the mid-point of the indicative range of the Offer Price, the above proposed allocation of net proceeds will applied on a pro rata basis.

If the Over-allotment Option is exercised, the additional net proceeds received from the offer of the additional Shares allotted and issued will be allocated in accordance with the above allocations on a pro rata basis. For details of the Over-allotment Option, please refer to the section headed "Structure and conditions of the Global Offering" in this prospectus.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to affect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks or authorised institutions as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended) for so long as it is in our best interests. In the event that we would require additional financing apart from the net proceeds from the issue of the Offer Shares for our future plans, the shortfall will be financed by our internal resources and bank financing, when necessary.

Should our Directors decide to re-allocate the intended use of net proceeds to other business plans and/or new project of our Group to a material extent and/or there is to be any material modification to the use of net proceeds as described above, our Group will issue an appropriate announcement in due course.

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 December 2023.

(a) Our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;

(b) There will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong, the PRC or in any other places in which any member of our Group carries on its business or will carry on its business;

(c) There will be no material change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors.

(d) There will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates.

(e) There will be no change in the effectiveness of the licences, permits and qualifications obtained by our Group.

(f) There will be no material changes in the bases or rates of taxation applicable to the activities of our Group.

(g) Our Group will be able to retain key staff in the management and the main operational departments.

(h) Our Group will be able to retain our customers and suppliers.

(i) There will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group.

(j) Our Group will not be materially affected by the risk factors as set out under the section headed "Risk factors" in this prospectus.

(k) Our Group's operations including its future plans will not be interrupted by any unforeseeable economic changes in respect of inflation, interest rate and currency exchange rate applicable to our business activities.

REASONS FOR THE LISTING

Our Directors believe the Listing will enhance our Group's profile and the net proceeds from the Global Offering will strengthen our financial position and enable our Group to implement our business strategies set out in the paragraphs headed "Business — Our business strategies" in this prospectus and to capture the anticipated growth of the drying rack market and household cleaning tool market in the destination countries to which our products are delivered and the household necessity product industry in the PRC. The reasons of the Listing are set out herein below:

(A) Satisfy our funding needs

(i) Our current available cash resources and cash flows from our operating activities are only sufficient to maintain our existing business operation but not adequate for business expansion

As at 30 April 2021, our cash and cash equivalents amounted to approximately RMB68.9 million.

Our average monthly operating cost (excluding depreciation, amortisation, impairment and listing expenses), which is mainly consisted of our cost of sales, selling and distribution expenses, administrative and other operating expenses and finance costs, for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021 amounted to approximately RMB22.5 million, RMB22.8 million, RMB25.0 million and RMB26.0 million, respectively.

On the other hand, as at 30 April 2021, we had trade and other payables of approximately RMB110.1 million, which require regularly payments.

In light of the above, our Directors consider that our current cash and cash equivalent may be sufficient for maintaining our current business operation but may not provide sufficient buffer for us to cater for any material and unexpected adversities such as economic downturn, change in market demand for our products, delay in our customers' settlement of our receivables, natural disasters and epidemic. From a prudent financial management perspective, our Directors consider that our Group should constantly maintain a sufficient amount of immediately available cash resources for meeting the payment obligations arising from our daily operations and our liquidity needs in case of such unforeseen adversities.

Taking into account the capital required to finance our expansion plan for the year ending 31 December 2021, 2022 and 2023, respectively, and our requirement to maintain a safe general working capital level, our cash on hand is not sufficient to finance our expansion plan to a full extent.

(ii) Recent outbreak of COVID-19 in the PRC and globally intensified our liquidity pressure

Our Directors further take the view that our liquidity pressure will be intensified taking into account the recent outbreak of COVID-19 in the PRC and globally. Therefore, if we rely solely on our future operating cash flows, our business expansion plans will be susceptible to the timing as to when sufficient cash can be generated. This will inevitably prolong and place us in a relatively position in respect of the implementation of our expansion plans and, thus, may not be able to fully capture the forthcoming business opportunities driven by the forecasted growth of the demand for household necessity products in both local and global markets.

(B) Necessity of implementing our business strategies to capture more market share in the Industry

Positive market outlook and the commercial rationale for expanding our sales and marketing network

Our businesses are export-oriented, and our products are predominantly delivered for sale in the United States, the United Kingdom, Germany and Australia. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, sales made to these countries contributed in aggregate approximately RMB302.5 million, RMB310.9 million and RMB342.0 million and RMB104.6 million, respectively, accounting for approximately 92.0%, 92.3%, 88.9% and 82.8% of our total revenue, respectively.

On the other hand, we see steady growth from the destination countries to which our products are generally delivered.

According to the CIC Report, the market size of the drying rack market (which is a segment of the laundry product industry) in the United Kingdom has increased from GBP85.9 million in 2015 to GBP91.4 million in 2020, representing a CAGR of 1.2% and it is anticipated to reach GBP103.2 million in 2025, representing a CAGR of approximately 2.6% from 2021 to 2025. The market size of the drying rack market in Germany has increased from EUR178.1 million in 2015 to EUR184.2 million in 2020, representing a CAGR of 0.7% and it is anticipated to reach EUR201.4 million in 2025, representing a CAGR of approximately 1.9% from 2021 to 2025. The market size of the drying rack market in Australia has increased from AUD82.3 million in 2015 to EUR94.0 million in 2020, representing a CAGR of 2.7% and it is anticipated to reach AUD115.1 million in 2025, representing a CAGR of approximately 4.5% from 2021 to 2025.

Meanwhile, according to the CIC Reports, the household cleaning tool market in the US has increased from USD6,611.2 million in 2015 to USD7,915.0 million in 2020, representing a CAGR of 3.7% and it is anticipated to reach USD9,270.8 million in 2025, representing a CAGR of approximately 3.7% from 2021 to 2025.

According to the CIC Report, the export value of drying racks in the PRC is expected to grow from USD384.5 million to USD438.7 million, representing a CAGR of approximately 3.4% from 2021 to 2025 whereas the export value of household cleaning tools in the PRC is expected to grow from approximately USD7,507.6 million in 2021 to USD8,589.6 million in 2025, representing a CAGR of approximately 3.4% from 2021 to 2025. Hence, their respective export value in the PRC is expected to grow stably and our Directors expect that the demand for our products in general would increase steadily. For details, please see the section headed “Industry overview” in this prospectus.

In view of the overall industry growth and in order to capture the market opportunities in the overseas market, we have formulated business strategies to expand our Group’s sales and marketing network for our products to customers in both the overseas market and the PRC market. Our Directors recognise the need for further capital to expand our business in order to maintain our position in the competitive household necessity product industry and capture more market share.

As such, our Directors believe that the Listing will allow us to capture more market share in the household necessity product industry albeit intense competition within the industry by effective implementation of our business strategies.

Commercial rationale to expand our production capacity and capability to cope with our future expansion

To align with our expansion plan and capture business opportunities from the markets of drying racks and household cleaning tools, we need to maintain enough spare production capacity to satisfy the potential increase in purchase orders from customers. During the Track Record Period, our plastic injection moulding machines had been running close to their full utilisation, and for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, the utilisation rates of our plastic injection machines for producing laundry products were approximately 94.4%, 95.8%, 91.0% and 93.2%, respectively; that for household cleaning tools were approximately 99.1%, 93.8%, 95.0% and 93.2%, respectively; and that for kitchen gadgets were 65.8%, 63.1%, 98.5% and 86.0%, respectively. In view of the space constraint and the layout of our existing Huzhou Production Plant which limit the number of plastic injection moulding machines we can install in the Huzhou Production Plant, we had outsourced part of the plastic injection moulding process, which from our Directors' view, is the bottleneck of the entire production process of our products, to external plastic injection service providers, whereby our controls over the cost and quality were not as effective and direct as those over our in-house production. For the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2021, our Group's processing fees paid to these external plastic injection service providers amounted to approximately RMB12.8 million, RMB14.5 million, RMB15.9 million and RMB8.0 million, respectively, representing approximately 5.4%, 6.0%, 5.9% and 8.8% of our total cost of sales in the same years and period.

In light of (i) the historical and expected growth of market size of markets in drying racks and household cleaning tools in the destination countries to which our products are delivered according to the CIC Report, and (ii) our intention to reduce our reliance on external plastic injection service providers and to better control quality and cost of our products, there is a driving force for us to expand our own production capacity. Our Directors expect that upon commencement of operation of the New Production Plant, all plastic injection moulding process can be carried out by our in-house production in the New Production Plant and the outsourcing arrangement can then be ceased.

Commercial rationale to enhance the production efficiency of our Huzhou Production Plant

As the New Production Plant is tasked to manufacture the plastic components of all our products, to cope with the projected increase in the production volume of plastic components upon commencement of operation of the New Production Plant, our Huzhou Production Plant, which will focus on powder coating, plastic spraying, brush filling and product assembly, shall enhance its production efficiency correspondingly in order to enhance the entire production capacity of our Group as a whole. It is notable that the remaining useful life of our major machinery and equipment at the Huzhou Production Plant was an average approximately four years as at the Latest Practicable Date.

Commercial rationale to enhance our product design and development capabilities

As more particularly disclosed in the paragraph headed "Business — Our business strategies" in this prospectus, due to the nature of our products which are common items of household necessity products that are aimed to keep a home running smoothly and provide comfort and safety to users with low selling price, we are required to continue to spend our efforts to improve our product design in terms of appearance, functions, features and quality; and to improve our production techniques to achieve better production efficiency and cost saving. According to the CIC Report, the demand of consumers is getting more diversified and higher product design, research and development capability is necessary for companies in order to meet customers' various needs. Our Directors believe that enhancing product performance which are crucial to our long-term success and profitability and will strengthen our market position as a well-established OEM and ODM manufacturer of laundry products, household cleaning tools and kitchen gadgets. To cope with the future technological advancement on manufacturing technique, rapidly changing consumer's preference, demanding standards on the compositions and features of the products sold by us, we consider necessary to strengthen our research and development capabilities by enriching our product offering and enhancing their features, responding to market change on a timely basis by monitoring closely the prevailing industry and fashion trends and incorporating latest market information into our product planning process, in order to capture business opportunities and maintain our competitiveness.

(C) Pursuing equity financing versus debt financing

Our Directors have also considered the desirability to finance our expansion plans through debt financing, and determined that equity financing is more attractive than relying solely on debt financing in light of the following:

(a) Reliance on debt financing exposes us to the interest rate risk due to changes in market interest rates. Equity fund raising allows us to reduce our interest rate risks as the permanent nature of equity capital does not involve recurring interest expenses. Heavy reliance on debt financing would subject our Group to higher interest rate and finance costs. Our Directors consider that our financial performance and liquidity may be negatively affected due to principal and interest payments if we proceed with debt financing to fund our expansion plans;

(b) Our Directors also believe the listing status will also allow our Group to gain leverage in obtaining bank financing on more favourable terms such as the provision of a corporate guarantee by our Company rather than such personal guarantees, thus offering us more flexibility in financing our operations; and

(c) Lending banks generally require our Controlling Shareholders to provide collateral or personal guarantee to secure our payment obligations, especially for long-term loans of significant amount. There is no assurance that such security will be made available by our Controlling Shareholders at all times and the withdrawal or unavailability of any such security for whatever reasons would reduce the amount of banking facilities made available to us. It would also not be in the best interest of our Company to rely on debt financing which commonly requires personal guarantee or collateral provided by our Controlling Shareholders and/or Directors as it is our strategy to minimise connected transactions in order to carry out our business independently from connected persons.

Balancing the above factors and having considered our funding needs for implementing our expansion plan, our Directors consider that equity financing is a more attractive option than debt financing at this juncture and that pursuing equity financing by way of Listing is in the interest of our Company and its Shareholders as a whole.

(D) Enhance our Group's brand awareness, market reputation and competitiveness

Our Directors consider that the public awareness and market reputation of our Group is crucial for our business expansion in the overseas market. The increased level of information transparency after Listing would give our existing and prospective customers and suppliers public access to our Group's corporate and financial information, which could further enhance their confidence in our Group. In this sense, the Listing will help consolidate our established business relationships with brand owners and chain retailers, among others, which are a key competitive advantage in the industry. We will have a higher industry standing as a result, with increased corporate and brand visibility in the market.

We rely on qualified and experienced designers and engineers in product development process, particularly our ODM and OBM sales. Following the Listing, our corporate profile and enhanced brand awareness can help us attract, recruit and retain skilled employees, which is instrumental for our long-term growth.

(E) The Listing can create liquidity for our Shares and broaden our Shareholder base

Following the trading of Shares on the Stock Exchange, investors will have access to our Shares through equity markets. Our Directors are of the view that, once there is liquidity of our Shares through the Listing, our Shareholder base will be broadened, whereby our Company can diversify our capital-raising activities rather than solely relying on the revenue generated from our business operation and debt financing.

HONG KONG UNDERWRITERS

Giraffe Capital Limited
First Shanghai Securities Limited
Guotai Junan Securities (Hong Kong) Limited
Quasar Securities Co., Limited
Chuenman Securities Limited
FUTEC Financial Limited
Yuan Tong Global Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong subject to the terms and conditions thereof and of this prospectus and the **GREEN** Application Form.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst others, the International Underwriting Agreement becoming unconditional and not having been terminated.

The application for the Hong Kong Offer Shares will commence on Saturday, 30 October 2021 through Friday, 5 November 2021. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 11 November 2021. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Friday, 12 November 2021.

Subject to the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering.

Grounds for termination

The Joint Global Coordinators (acting on behalf of all Hong Kong Underwriters) shall have the right, in their sole and absolute discretion to terminate the Hong Kong Underwriting Agreement with immediate effect by notice to our Company and the Hong Kong Underwriters at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, happens, exists or comes into effect:

   (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development, or prospective change or development, in any local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal, regulatory or market conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets and credit markets) in or affecting Hong Kong, the PRC, the United States, the United Kingdom and any member of the European Union, Australia, the Cayman Islands, the BVI or any other jurisdiction relevant to any member of our Group (collectively the "**Relevant Jurisdictions**"); or

(ii) any new laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any public, regulatory or governmental agency or any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational ("**Authority**") (including, without limitation, the Stock Exchange and the SFC), other Authority and any court at the national, provincial, municipal or local level of all relevant jurisdictions, including (without limitation), Hong Kong, the PRC, the BVI and Cayman Islands (as the case may be) (collectively "**Governmental Authority**") or change or development involving a prospective change in existing laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees or rulings of any Governmental Authority ("**Law**") or any change or development involving a prospective change in the interpretation or application of the Law by any court or other competent Authority in any of the Relevant Jurisdictions; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), riot, public disorder, economic sanctions, pandemics, outbreak of diseases or epidemics (including without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), avian influenza A (H5N1), swine influenza (H1N1) and coronavirus (including but not limited to COVID-19, and such related/mutated forms or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency, declaration of a national or international emergency or war, or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(v) (1) any moratorium, suspension of, or restriction or limitation on, trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or the Tokyo Stock Exchange or (2) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, on any of the Relevant Jurisdictions; or

(vii) any material change or prospective material change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions (including without limitation a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) or the implementation of any exchange control in any of the Relevant Jurisdictions; or

(viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk factors" in this prospectus or any adverse change or development or event involving a prospective adverse change in our Group's our assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or

(ix) the commencement by any state, governmental, judicial, law enforcement agency, regulatory or political body or organisation (collectively the "**Organisations**") of any action, proceedings, investigation or enquiry, or any sanction, penalty or reprimand imposed or issued by any of the Organisations, against any member of our Group, any Director or any Controlling Shareholder or an announcement by any of the Organisations that it intends to take any such action; or

(x) any litigation or claim being threatened or instigated against any member of our Group, any Director or any Controlling Shareholder; or

(xi) a Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(xii) the chairman or chief executive officer of our Company vacating his/her office; or

(xiii) a material contravention by any member of our Group of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any applicable Law; or

(xiv) a prohibition on our Company for whatever reason from allotting and issuing the Offer Shares (including any additional Shares issued under the exercise of the Over-allotment Option) under the terms of the Global Offering; or

(xv) material non-compliance of this prospectus and the GREEN Application Form(s) (or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Global Offering with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any other applicable Law; or

(xvi) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or to any other documents used in connection with the subscription of the Offer Shares) under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC in circumstances where the matter to be disclosed is, in the opinion of the Joint Global Coordinators materially adverse to the marketing for or implementation of the Global Offering; or

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable before its stated maturity; or

(xviii) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which will cause a material adverse effect to our Group's operation and financial performance; or

(xix) a petition is presented for the winding up or liquidation of any member of our Group or bankruptcy of any Director, or any member of our Group or any Director makes any composition or arrangement with its or his creditors or enters into a scheme of arrangement, or any resolution is passed for the winding up of any member of our Group, or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group, any Director or any Controlling Shareholder or any analogous matter occurs in respect of any member of our Group, any Director or any Controlling Shareholder, and which, in any such case or in aggregate and in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters),

(1) is or will or may or is likely to be materially adverse to, or materially and prejudicially affect, the business, management, general affairs, financial or trading position or prospects of our Group as a whole; or

(2) has or will have or may have or is likely to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

(3) makes or will or may make or is likely to make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(4) makes or will or may make or is likely to make it impracticable, inadvisable or inexpedient for any part of the Hong Kong Underwriting Agreement (including underwriting), the Hong Kong Public Offering and/or the Global Offering (including processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof) to be performed or implemented as envisaged; or

(b) there comes to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters or the Joint Global Coordinators or any of the Hong Kong Underwriters have reasonable cause to believe that after the date of the Hong Kong Underwriting Agreement:

(i) any statement or information, estimate, forecast or expression of opinion, intention or expectation, or any matter or circumstance that renders or could render any statement or information contained in this prospectus, the GREEN Application Form(s), the formal notice substantially in the agreed form required under Rule 12.02, Chapter 12 of the Listing Rules to be published in connection with the Hong Kong Public Offering pursuant to the Listing Rules 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 and/or the International Placing (including any supplement or amendment to any of the documents) (collectively, the "**Offer Documents**") in the sole and absolute opinion of the Joint Global Coordinators was or has or may become, untrue, incorrect or misleading in any material respect or that any estimate, forecast, expression of opinion, intention or expectation expressed in any Offer Document is not or may not be, in the sole and absolute opinion of the Joint Global Coordinators, fair and honest and based on reasonable assumptions; or

(ii) any matter or circumstance has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute an omission from any of the Offer Documents and/or in 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); or

(iii) any breach of, or any event rendering untrue or inaccurate or misleading in any respect, any of the warranties or representations in the Hong Kong Underwriting Agreement or the International Underwriting Agreement given by our Company and our Controlling Shareholders; or

(iv) any breach of any of the obligations, confirmations or undertakings of our Company or our Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(v) any material event, act or omission which gives or may give or is likely to give rise to any liability of our Company and any Controlling Shareholders pursuant to the indemnity provisions under the Hong Kong Underwriting Agreement; or

(vi) any information, matter or event which in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters);

  (1) is inconsistent in any material respect with any information contained in Form B in Appendix 5 to the Listing Rules given by our Directors; or

  (2) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group; or

(vii) any material adverse change or development or prospective material adverse change or development in the conditions, business, general affairs, management, prospects, assets, liabilities, properties, shareholders' equity, profits, losses, operating results, the financial or trading position or performance of any member of our Group; or

(viii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing of the Shares on the Main Board, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(ix) other than with the written consent from the Joint Global Coordinators, our Company withdraws any of this prospectus and the GREEN Application Form(s) (and any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or

(x) any expert (other than the Joint Global Coordinators and any of the Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents,

Undertakings to the Stock Exchange under the Listing Rules

Undertakings by our Company

Under Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not issue any further Shares or securities convertible into equity securities of our Company (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 of our Company will be completed within six months from the Listing Date), except pursuant to the Global Offering or in any of the circumstances provided for under Rules 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has, jointly and severally, undertaken to each of our Company and the Stock Exchange that he/she/it shall not, and shall procure any other registered holder (if any) controlled by us shall not, unless otherwise in compliance with the applicable requirements of the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus in relation to the Global Offering and ending on the date which is six months from the Listing Date, dispose of nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner, whether direct or indirect (the "**Relevant Securities**"); or

(ii) in the period of six months immediately following the expiry of the period mentioned in paragraph (i) above, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or a member of a group of the Controlling Shareholders of our Company or would together with the other Controlling Shareholders cease to be "Controlling Shareholders" (as defined in the Listing Rules) of our Company.

Each of the Controlling Shareholders has further jointly and severally undertaken to each of the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

(i) when he/she/it pledges or charges any Shares beneficially owned by he/she/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 in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except for the issue of Shares under the Capitalisation Issue, the Global Offering and the Over-allotment Option, at any time during the period commencing from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date ("**First Six Month Period**"), our Company will not, and will cause each member of our Group not to, and our Company will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) offer, accept subscription for, pledge, charge, mortgage, allot, issue, sell, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase (except in compliance with the Listing Rules and the Code on Share Buy-backs), any of our Company's share capital or securities of our Company or any of its subsidiaries or any interest therein or any voting right or any other right attaching thereto (including but not limited to any securities convertible into, exercisable or exchangeable for, or that represent the right to receive such share capital or securities or any interest in our Company's share or debt capital); 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 such share or debt capital or securities or any interest in our Company's or any of our subsidiaries' securities or any voting right or any other right attaching thereto; or

(c) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) publicly announce any intention to enter into any transaction described in (a), (b) or (c) above,

whether any of the foregoing transactions described in (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise or whether or not the foregoing transactions will be completed within the First Six Month Period.

Our Company further agrees that in the event of an issue or a disposal of any Shares, securities or any interest of our Company's securities or any of its subsidiaries' securities or any voting right or any other right attaching thereto specified in (a), (b) or (c) above after the First Six Month Period, our Company shall take all reasonable steps to ensure that such an issue or a disposal will not create a disorderly or false market for the Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, our Controlling Shareholders will not (and shall procure that the relevant registered holder(s) and his/her/its associates and companies controlled by his/her/it and any nominee or trustee holding in trust for him/her/it will not), at any time:-

(i) during the First Six Month Period:

(a) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or entering into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities;

(b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such capital or securities or any interest therein;

(c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above;

(d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above,

whether any such swap agreement or other agreement or transaction is to be settled by delivery of such capital or securities, in cash or otherwise;

(ii) within a further six months commencing on the expiry of the First Six Month Period (the "**Second Six Month Period**"), he/she/it shall not and shall procure that the relevant registered holders and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, take any action as referred to in (i) (a), (b), (c) or (d) above, if, immediately following such transfer or disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or cease to hold a controlling interest (that is to say, an interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer);

(iii) in the event of any transfer or disposal of Shares or any such interests referred to in paragraph (i)(a), (b), (c) or (d) above during the Second Six Month Period, all reasonable steps will be taken to ensure that such transfer or disposal will not create a false or disorderly market in the Shares; and

(iv) without prejudice to paragraphs (i) and (ii) above, each of our Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, within the period from the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date:

(a) when he/she/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/she/it is the beneficial owner, promptly inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and

(b) when he/she/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, promptly inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such indications.

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their interests and obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters is interested beneficially or otherwise in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for, or to nominate persons to subscribe for, any shares in 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.

THE SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE INTERNATIONAL PLACING

In connection with the International Placing, he/she/it is expected that our Company will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for or purchase the International Placing Shares being offered pursuant to the International Placing or procure subscribers to subscribe for or purchasers to purchase such International Placing Shares.

Our Company is expected to grant to the International Underwriters the Over-allotment Option (exercisable by and at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the Listing Date until the date which is 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 18,750,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing, if any.

COMMISSION

The Underwriters will receive a commission of 10% of the aggregate Offer Price of the Offer Shares, out of which the Underwriters will pay any sub-underwriting commission. The Underwriters are not entitled to any kind of discretionary incentive fee for underwriting. In addition, the Sole Sponsor will receive a sponsorship, financial advisory and documentation fee in relation to the Global Offering. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK$1.1 per Offer Share (being the mid-point of the indicative Offer Price range of HK$1.0 and HK$1.2), are estimated to amount to approximately HK$40.7 million in total (assuming that the Over-allotment Option is not being exercised).

The commission rate offered by our Company is relatively higher than those offered by large-cap corporations such as US-listed and Chinese-based leading information technology companies for homecoming listings which are already well-known to investors in Hong Kong and worldwide, while our Company, like other small-cap corporations, may not attract investors' instantaneous attention in the first instance. Hence, the Underwriters have to spend more time and effort in marketing our shares to potential investors and to explain our industry and potential growth to them through continuous communications, meetings, presentations and roadshow etc., which entails a relatively higher commission rate.

Moreover, as the amount of commission fees is generally calculated by multiplying the gross offering proceeds underwritten by the Underwriter(s) by the pre-determined commission rate, the amount of commission fee is directly affected by the amount of gross offering proceeds. Hence, in order to incentivise Underwriters, small-cap corporations generally offer higher commission rate to Underwriters in their initial public offerings.

INDEMNITY

Each of our Company, our Controlling Shareholders and executive Directors has agreed to undertake jointly and severally to indemnify and keep indemnified the Hong Kong Underwriters against certain losses which they may suffer, including but not limited to losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company, our Controlling Shareholders and executive Directors of the Hong Kong Underwriting Agreement.

STRUCTURE OF THE GLOBAL OFFERING

The Global Offering comprises:

(i) the Hong Kong Public Offering of an aggregate of 12,500,000 Hong Kong Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed "The Hong Kong Public Offering" below; and

(ii) the International Placing of 112,500,000 International Placing Shares (subject to reallocation and the Over-Allotment Option as mentioned below) which will conditionally be placed with selected professional, institutional and other investors under the International Placing.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the International Placing, but may not do both. The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Capitalisation Issue and the Global Offering without taking into account the exercise of the Over-allotment Option. The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing, respectively, may be subject to reallocation as mentioned below.

Conditions imposed by the SFC pursuant to section 6(3)(b) of the Securities and Futures (Stock Market Listing) Rules

Pursuant to section 6(3)(b) of the Securities and Futures (Stock Market Listing) Rules, the SFC is imposing the following conditions to the Listing:

(i) Our Company having provided a complete list of the intermediaries involved in the placing, distribution or underwriting of the Global Offering (including the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, underwriting syndicate members, non-syndicate sub-placing agents and distributors) (each an "**Intermediary**" and together, the "**Intermediaries**") and the amount of placing and underwriting commissions and incentives paid/to be paid to each of them by 1700 hours Hong Kong time on the business day immediately preceding the Listing Date.

(ii) Our Company, the Sole Sponsor and each of the Intermediaries (as the case may be) having confirmed to the SFC and the Stock Exchange the following matters in writing by 1700 hours Hong Kong time on the business day immediately preceding the Listing Date:

(a) No benefits (in whatever form, including rebate, discount, incentive, commission, loan or otherwise) have been or will be given by our Company, any of its Controlling Shareholders, subsidiaries, Directors, senior management or any of their respective associates, to (i) the Sole Sponsor, (ii) any of the Intermediaries or (iii) any of the placees (including the ultimate beneficial owners, subsidiaries, directors, senior management or the respective associates of the parties referred to in (i), (ii) and (iii)) (together, the "**Relevant Parties**") directly or indirectly in connection with the Global Offering other than those set out in the Sole Sponsor engagement letter, placing and sub-placing agreements and/or underwriting agreements (as the case may be) and this prospectus.

(b) No benefits (in whatever form, including rebate, discount, incentive, commission, loan or otherwise) have been or will be given by the relevant Intermediary (including its ultimate beneficial owner, subsidiaries, directors, senior management or their respective associates) to (i) any other Intermediary or (ii) any of the placees (including the ultimate beneficial owners, subsidiaries, directors, senior management or the respective associates of the parties referred to in (i) and (ii)) directly or indirectly in connection with the Global Offering other than those set out in the placing and sub-placing agreements and/or underwriting agreements (as the case may be) and this prospectus.

(c) No side agreement, arrangement, undertaking or otherwise (verbal or written) has been or will be entered into by our Company (including its Controlling Shareholders, subsidiaries, Directors, senior management or their respective associates) and the Relevant Parties in connection with the Global Offering or any subsequent dealings in respect of the Company's securities, other than those set out in the respective Sole Sponsor engagement letter, placing and sub-placing agreements and/or underwriting agreements (as the case may be) and this prospectus.

(iii) Our Company undertakes that it will disclose the following in its first annual report published after the Listing and the annual report for the first full financial year after the Listing:

(a) The confirmations set out in condition (ii) above;

(b) The details of any transactions between (i) our Company, our Controlling Shareholders, subsidiaries, Directors, senior management or their respective associates; and (ii) any of the Relevant Parties, consultants or advisers involved in the application of the Listing, commencing from the beginning of the respective financial years and ending on the date of such respective annual reports, or a negative statement where applicable; and

(c) Where our Company or any of its subsidiaries is a party to the transaction(s) referred to in condition (iii) (b) above, the views of our Company's independent non-executive Directors and our compliance adviser on whether such transaction(s) was/were entered into in the ordinary and usual course of business of our Company and its subsidiaries, conducted on normal commercial terms and was/were in the interests of the Shareholders as a whole.

(iv) The conditions imposed by the SFC for not objecting to the Listing are set out in full in this prospectus. Notwithstanding that, the SFC may impose further conditions for not objecting to the Listing at any time before the Listing.

*Conditions for our Company's Listing imposed by the Listing Committee of the Stock Exchange (the "**Listing Committee**"): -*

The Listing Committee imposed the following two conditions to our Company's Listing: -

(i) our Company and the Sole Sponsor should provide the Listing Committee with concrete details of our Company's marketing plan, including our strategies for investor targeting, marketing, pricing and allocation. Where there is any subsequent departure from these strategies, our Company and the Sole Sponsor should provide explanations and address any further enquiries in this regard; and

(ii) our Company undertakes that it should report to its compliance advisor on the status of the use of proceeds on a monthly basis for 12 months following its Listing, and our Company and its compliance advisor should timely inform the Stock Exchange of deviations from the use of proceeds and/or underwriting commission and listing expenses as stated in this prospectus, and where appropriate, make announcements.

If our Company fails to fulfil the aforesaid condition (i) and undertake to comply with condition (ii), listing approval will not be granted to our Company. Hence, our Company may not obtain the listing approval for the Listing.

CONDITIONS OF THE GLOBAL OFFERING

The Global Offering is conditional upon, among other things:

(i) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(ii) the Offer Price having been duly determined on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement prior to or on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with its terms.

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 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Global Offering will be published by our Company on the Stock Exchange's website at ***www.hkexnews.hk*** and our Company's website at ***www.betterhomechina.com*** on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE HONG KONG PUBLIC OFFERING

Number of the Offer Shares initially offered

We are initially offering 12,500,000 Hong Kong Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Global Offering. Subject to reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Shares initially offered under the Hong Kong Public Offering will represent 2.5% of our Company's enlarged issued share capital immediately after the completion of the Capitalisation Issue and the Global Offering without taking into account the exercise of the Over-allotment Option. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional institutional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Global Offering" in this section.

Allocation

Allocation of the 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 the Hong Kong Offer Shares validly applied for by applicants. Allocation of the Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the 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 Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation of Hong Kong Offer Shares and International Placing Shares) is to be divided equally into two pools:

Pool A: the Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less; and

Pool B: 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 subscription price of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools under the Hong Kong Public Offering and any application for more than 50% of the 12,500,000 Hong Kong Offer Shares initially available for subscription (i.e. 6,250,000 Hong Kong Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the **GREEN** Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not received any Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares are expected to be announced on Thursday, 11 November 2021 through a variety of channels as described in paragraph headed "How to apply for the Hong Kong Offer Shares — 11. Publication of results".

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation on the following basis:

(a) Where the International Placing Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing in such amount as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deems appropriate;

(ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then 12,500,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 25,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then 25,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 37,500,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then 37,500,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 50,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then 50,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 62,500,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

(b) Where the International Placing Shares are not fully subscribed:

(i) if the Hong Kong Offer Shares are not fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers to subscribe for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the **GREEN** Application Form and Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available under the Hong Kong Public Offering, then up to 12,500,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 25,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the low end of the Offer Price range (i.e. HK$1.0 per Offer Share) according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. 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 from the International Placing to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation of the Hong Kong Public Offering (i.e. 25,000,000 Offer Shares).

In all cases, the number of Offer Shares allocated to the International Placing will be correspondingly reduced and the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B in equal proportion. In addition, the Joint Global Coordinators may in its sole and absolute discretion reallocate Offer Shares of the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the sole discretion of the Joint Global Coordinators.

THE INTERNATIONAL PLACING

Number of the Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Placing will be 112,500,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Shares initially offered under the International Placing will represent 22.5% of our Company's enlarged issue share capital immediately after the completion of the Capitalisation Issue and the Global Offering without taking into account the exercise of any Over-allotment Option.

Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed by the International Underwriters. The International Placing Shares will be selectively placed to certain professional, institutional and other investors anticipated to have a sizeable demand for such International Placing Shares in Hong Kong. The International Placing is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock

Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered International Placing Shares under the International Placing, 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 application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by and at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the Listing Date up to (and including) the date which is the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 18,750,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

STOCK BORROWING AGREEMENT

First Shanghai Securities Limited, as the Stabilising Manager, or any person acting for it may choose to borrow Shares from Beautiful Homeland, under the Stock Borrowing Agreement. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

— such stock borrowing arrangement with Beautiful Homeland will only be effected by the Stabilising Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;

— the maximum number of Shares borrowed from Beautiful Homeland under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

— the same number of Shares so borrowed from Beautiful Homeland must be returned to it or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have have been allocated; and (iii) such earlier time as the parties may from time to time agree in writing;

— the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulations including those of Hong Kong; and

— no payment will be made to Beautiful Homeland by the Stabilising Manager in relation to such stock borrowing arrangement.

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 newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activities aimed at reducing the market price are prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, as the Stabilising Manager, or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong and elsewhere, over-allocate Shares or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. 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. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, may be conducted at the absolute discretion of the Stabilising Manager or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 18,750,000 Shares, which is 15% of the total number of Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, regulations and rules in place in Hong Kong on stabilisation and stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), which includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager or its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in our Shares;

- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager or its affiliates or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilising Manager or its affiliates or any person acting for it may have an adverse impact on the market price of our Shares;

- stabilising action cannot be taken to support the price of our Shares for longer than the stabilising period which is expected to begin on the Listing Date and is expected to expire on the 30th day after the date expected to be 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;

- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action;

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares; and

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period.

DETERMINATION OF THE OFFER PRICE

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by an agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or about Friday, 5 November 2021 and in any event, not later than Tuesday, 9 November 2021. **If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to enter into the agreement to fix the Offer Price by the Price Determination Date, the Global Offering will not become unconditional and will not proceed.**

The Offer Price will not be more than HK$1.2 per Offer Share and is expected to be not less than HK$1.0 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus.**

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the 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 on Friday, 5 November 2021 cause there to be published on the Stock Exchange's website at ***www.hkexnews.hk*** and our Company's website at ***www.betterhomechina.com*** notices of reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, 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 give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Such announcement and supplemental prospectus shall also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set forth in the section headed "Summary" in this prospectus and other financial information which may change as a result of such reduction. Upon 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 (for themselves and 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 regarded 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, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at ***www.hkexnews.hk*** and our Company's website at ***www.betterhomechina.com*** of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the number of Offer Shares and/or the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be fewer than the number of Offer Shares or be set outside the Offer Price range as stated in this prospectus.

Announcement of the final Offer Price, together with indication of the level of interests in the International Placing and the level of applications under the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares is expected to be published on the Stock Exchange's website at ***www.hkexnews.hk*** and our Company's website at ***www.betterhomechina.com*** on Thursday, 11 November 2021.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$1.2 per Offer Share and is expected to be not less than HK$1.0 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum Offer Price of HK$1.2 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK$2,424.18 per board lot of 2,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK$1.2 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being executed and becoming unconditional. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Global Offering becomes unconditional at or prior to 8:00 a.m. in Hong Kong on Friday, 12 November 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 12 November 2021. The Shares will be traded in board lots of 2,000 Shares each. The stock code for the Shares is 1491.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Prospective investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at ***www.hkexnews.hk*** under the "*HKEXnews> New Listings> New Listing Information*" section, and our website at ***www.betterhomechina.com***. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, at (852) 2153-1688 on the following dates:

9:00 a.m. to 12:00 noon — Saturday, 30 October 2021
9:00 a.m. to 6:00 p.m. — Monday, 1 November 2021
9:00 a.m. to 6:00 p.m. — Tuesday, 2 November 2021
9:00 a.m. to 6:00 p.m. — Wednesday, 3 November 2021
9:00 a.m. to 6:00 p.m. — Thursday, 4 November 2021
9:00 a.m. to 12:00 noon — Friday, 5 November 2021

1. HOW TO APPLY

We will not provide any printed application forms for use by the public. If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

1 apply online via the **eWhite Form** service at ***www.ewhiteform.com.hk***; or

2 apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(a) instructing 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; or

(b) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (***https://ip.ccass.com***) or through the CCASS Phone System by calling +852 2979 7888 (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 CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(a) or (2)(b) above, the Hong Kong Offer Shares successfully applied for will 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.

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 **eWhite Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the US Securities Act).

If you apply online through the **eWhite Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number;
- have a Hong Kong address; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

The application for the Hong Kong Offer Shares will commence on Saturday, 30 October 2021 through Friday, 5 November 2021. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 11 November 2021. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Friday, 12 November 2021.

If an application is made by a person duly authorised under a power of attorney, our Company, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **eWhite Form** 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 in our Company and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;

- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any International Placing Shares under the International Placing or otherwise participated in the International Placing.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among other things, (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person of whom you act:

(a) **undertake** to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) **agree** to comply with the Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum of Association and the Articles of Association;

(c) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and on the designated website under the **eWhite Form** service at ***www.ewhiteform.com.hk*** and agree to be bound by them;

(d) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;

(f) **agree** that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) **undertake** and **confirm** that you and the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor otherwise participated in the International Placing;

(h) **agree** to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you and any persons for whose benefit you have made the application have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective advisers or agents will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and on the designated website under the **eWhite Form** service;

(j) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) **agree** that your application, any acceptance of it and the resulting contract, will be governed by and contract in accordance with the Laws of Hong Kong;

(l) **represent**, **warrant** and **undertake** that (i) you and any persons for whose benefit you have made the application understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) **warrant** that the information you have provided is true and accurate;

(n) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) **authorise** our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares to be allocated to you, and our Company and/or our agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) (where applicable) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) in person;

(p) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) **understand** that our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and/or their respective advisors and agents will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares in response to your application and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **eWhite Form** Service Provider by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **eWhite Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **eWhite Form** service or the **CCASS EIPO** service must be for a minimum of 2,000 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
2,000	2,424.18	30,000	36,362.77	500,000	606,046.20	4,500,000	5,454,415.80
4,000	4,848.37	40,000	48,483.70	600,000	727,255.44	5,000,000	6,060,462.00
6,000	7,272.55	50,000	60,604.62	800,000	969,673.92	5,500,000	6,666,508.20
8,000	9,696.74	60,000	72,725.54	1,000,000	1,212,092.40	6,250,000*	7,575,577.50
10,000	12,120.92	80,000	96,967.39	1,500,000	1,818,138.60		
12,000	14,545.11	100,000	121,209.24	2,000,000	2,424,184.80		
14,000	16,969.29	150,000	181,813.86	2,500,000	3,030,231.00		
16,000	19,393.48	200,000	242,418.48	3,000,000	3,636,277.20		
18,000	21,817.66	300,000	363,627.72	3,500,000	4,242,323.40		
20,000	24,241.85	400,000	484,836.96	4,000,000	4,848,369.60		

* Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH THE EWHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraphs headed "2. Who can apply" in this section above may apply through the **eWhite Form** service for the Hong Kong Offer Shares to be allocated and registered in their own names through the designated website at ***www.ewhiteform.com.hk***.

Detailed instructions for application through the **eWhite Form** 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 **eWhite Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **eWhite Form** service.

If you have any questions on how to apply through the **eWhite Form** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the Hong Kong Share Registrar and **eWhite Form** Service Provider, Boardroom Share Registrars (HK) Limited, at (852) 2153-1688 on the following dates:

9:00 a.m. to 12:00 noon — Saturday, 30 October 2021
9:00 a.m. to 6:00 p.m. — Monday, 1 November 2021
9:00 a.m. to 6:00 p.m. — Tuesday, 2 November 2021
9:00 a.m. to 6:00 p.m. — Wednesday, 3 November 2021
9:00 a.m. to 6:00 p.m. — Thursday, 4 November 2021
9:00 a.m. to 12:00 noon — Friday, 5 November 2021

The application for the Hong Kong Offer Shares will commence on Saturday, 30 October 2021 through Friday, 5 November 2021. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 11 November 2021. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Friday, 12 November 2021.

Time for Submitting Applications under the eWhite Form Service

You may submit your application to the **eWhite Form** service through the designated website at ***www.ewhiteform.com.hk*** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Saturday, 30 October 2021 until 11:30 a.m. on Friday, 5 November 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 5 November 2021, the last day for applications, or such later time as described in the paragraphs headed "10. Effect of bad weather and/or Extreme Conditions on the opening and the closing of the application lists" in this section.

No Multiple Applications

If you apply by means of the **eWhite Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **eWhite Form** service to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **eWhite Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. If you are suspected of submitting more than one application through the **eWhite Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING THROUGH CCASS EIPO SERVICE

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 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.

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 our Hong Kong Share Registrar.

Applying through CCASS EIPO Service

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the 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, will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and their respective advisors and agents will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- 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/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers,the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for 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 itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum of Association and the Articles of Association of our Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

9:00 a.m. to 1:00 p.m. — Saturday, 30 October 2021
8:00 a.m. to 8:30 p.m. — Monday, 1 November 2021
8:00 a.m. to 8:30 p.m. — Tuesday, 2 November 2021
8:00 a.m. to 8:30 p.m. — Wednesday, 3 November 2021
8:00 a.m. to 8:30 p.m. — Thursday, 4 November 2021
8:00 a.m. to 12:00 noon — Friday, 5 November 2021

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Saturday, 30 October 2021 until 12:00 noon on Friday, 5 November 2021 (24 hours daily, except on Friday, 5 November 2021, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 5 November 2021, the last application day or such later time as described in the paragraphs headed "10. Effect of bad weather and/or Extreme Conditions on the opening and the closing of the application lists" in this section.

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 shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the **GREEN** Application Form headed "Personal data" applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

By applying through **CCASS EIPO** service or the **eWhite Form** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of our Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to our Company or our agents and our Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of our Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check or e-Refund payment instruction, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of the holders of our Shares;
- establishing benefit entitlements of holders of our Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of our Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and our Hong Kong Share Registrar to discharge their obligations to holders of the Shares and/or regulators and/or any other purposes to which the holders of the Shares may from time to time agree.

Transfer of Personal Data

Personal data held by our Company and our Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and our Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving banks and principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or our Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of Personal Data

Our Company and our Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Access to and Correction of Personal Data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or our Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Offer Shares through the **eWhite Form** service is only a facility provided by the **eWhite Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **eWhite Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 5 November 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through **eWhite Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied 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 behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **eWhite Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, 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.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$1.2 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 2,000 Hong Kong Offer Shares, you will pay HK$2,424.18.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares.

You may submit an application through the **eWhite Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in "4. Minimum application amount and permitted numbers" in this section or as otherwise specified on the designated website at ***www.ewhiteform.com.hk***.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraphs headed "Structure and conditions of the Global Offering — Determination of the Offer Price" in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND THE CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- an Extreme Condition

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 November 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 5 November 2021 or if there is a tropical cyclone warning signal number 8 or above or 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" in this prospectus, an announcement will be made in such event on our website at ***www.betterhomechina.com*** and the website of the Stock Exchange at ***www.hkexnews.hk***.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 11 November 2021 on our Company's website at ***www.betterhomechina.com*** and the website of the Stock Exchange at ***www.hkexnews.hk***.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at ***www.betterhomechina.com*** and the Stock Exchange's website at ***www.hkexnews.hk*** by no later than 8:00 a.m. on Thursday, 11 November 2021;

- from the designated results of allocations website at ***www.ewhiteform.com.hk/results*** with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Thursday, 11 November 2021 to 12:00 midnight on Wednesday, 17 November 2021;

- by telephone enquiry line by calling (852) 2153-1688 between 9:00 a.m. and 6:00 p.m. from Thursday, 11 November 2021 to Wednesday, 17 November 2021 on a business day (excluding Saturday and Sunday or public holiday in Hong Kong);

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 contained in the section headed "Structure and conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **eWhite Form** 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 the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **eWhite Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange 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 suspected multiple applications;

- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;

- your application is not completed in accordance with the stated instructions;

- your **electronic application instructions** through the **eWhite Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at ***www.ewhiteform.com.hk***;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Joint Global Coordinators believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$1.2 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and Conditions of the Global Offering — Conditions of the Global Offering" of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 11 November 2021.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 11 November 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 12 November 2021 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply through eWhite Form service:

- If you apply for 1,000,000 Offer Shares or more through the **eWhite Form** 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, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 11 November 2021, or any other place or date notified by our Company as the place or date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

- If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

- If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Offer Shares through the **eWhite Form** service, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 11 November 2021 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 despatched 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 despatched to the address specified in your application instructions in the form of refund cheque(s) (or, in the case of joint applications, the first-named applicant) by ordinary post and at your own risk.

(b) If you apply via the CCASS EIPO service

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 Thursday, 11 November 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraphs headed "11. Publication of results" above in this section on Thursday, 11 November 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 November 2021 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 allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 11 November 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 11 November 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement 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 stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the reporting accountants of the Company, Grant Thornton Hong Kong Limited.

Grant Thornton
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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BETTER HOME GROUP HOLDINGS CO., LIMITED AND GIRAFFE CAPITAL LIMITED

Introduction

We report on the historical financial information of Better Home Group Holdings Co., Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-5 to I-89, which comprises the consolidated statements of financial position of the Group as at 31 December 2018, 2019 and 2020 and 30 April 2021 and the statements of financial position of the Company as at 31 December 2019 and 2020 and 30 April 2021, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021 (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-5 to I-89 forms an integral part of this report, which has been prepared for inclusion in the Prospectus of the Company dated 30 October 2021 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 to the Historical Financial Information, respectively, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 to the Historical Financial Information, respectively, 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 of the Company, 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 accountants' report, a true and fair view of the Group's consolidated financial position as at 31 December 2018, 2019 and 2020 and 30 April 2021, the financial position of the Company as at 31 December 2019 and 2020 and 30 April 2021 and of the Group's consolidated financial performance and consolidated cash flows for each of the Track Record Period in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 to the Historical Financial Information, respectively.

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 profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2020 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 to the Historical Financial Information respectively. 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 accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 to the Historical Financial Information, respectively.

Report on Matters under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-5 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared by the Group in respect of the Track Record Period.

No Historical Financial Statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

30 October 2021

Lin Ching Yee Daniel
Practising Certificate No.: P02771

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 accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Four months ended 30 April	
		2018	2019	2020	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	4	328,748	336,553	384,740	112,842	126,240
Cost of sales		(237,729)	(242,124)	(270,452)	(76,553)	(91,417)
Gross profit		91,019	94,429	114,288	36,289	34,823
Other income	5	3,051	3,581	4,639	1,229	913
Selling and distribution expenses		(17,566)	(14,978)	(15,228)	(4,512)	(5,403)
Administrative and other operating expenses		(24,221)	(28,180)	(26,447)	(9,053)	(11,438)
Listing expenses		—	(5,974)	(7,683)	(3,286)	(1,184)
Finance costs	6	(624)	(718)	(334)	(241)	(42)
Other gains/(losses), net	7	4,244	1,628	(3,957)	(480)	(1,465)
Share of results of a joint venture		62	22	—	—	—
Profit before income tax	8	55,965	49,810	65,278	19,946	16,204
Income tax expense	9	(14,969)	(15,753)	(19,026)	(6,100)	(4,314)
Profit for the year/period		40,996	34,057	46,252	13,846	11,890
Other comprehensive (expense)/income, net of tax						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations		(874)	(382)	110	155	661
Item that will not be reclassified subsequently to profit or loss:						
Financial assets at fair value through other comprehensive income — net movement in fair value reserves (non-recycling)		17	49	353	281	(209)
Other comprehensive (expense)/income for the year/period		(857)	(333)	463	436	452
Total comprehensive income for the year/period		40,139	33,724	46,715	14,282	12,342
Earnings per share attributable to equity holders of the Company						
Basic and diluted	11	N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 April
		2018	2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*13*	88,034	94,777	94,365	92,421
Right-of-use assets	*14*	9,759	9,520	9,281	9,200
Deposits paid for acquisition of property, plant and equipment		1,796	4,217	1,139	2,076
Interest in a joint venture	*15*	242	—	—	—
Intangible assets	*16*	39	4	—	—
Financial assets at fair value through other comprehensive income	*17*	1,578	1,643	2,114	1,835
Deferred tax assets	*26*	1,785	2,136	1,686	1,287
		103,233	112,297	108,585	106,819
Current assets					
Inventories	*19*	34,023	51,449	60,052	73,949
Trade and other receivables	*20*	75,219	80,889	98,229	95,058
Financial assets at fair value through profit or loss	*18*	19,715	24,820	6,211	6,224
Amounts due from related parties	*24*	38,789	149	50	50
Pledged bank deposits	*21*	23,641	21,036	19,542	19,830
Cash and cash equivalents	*21*	23,601	23,649	69,655	68,886
		214,988	201,992	253,739	263,997
Current liabilities					
Trade and other payables	*22*	104,705	98,848	118,716	110,064
Contract liabilities	*23*	196	781	336	1,451
Bank borrowings	*25*	24,287	26,665	15,862	17,776
Amounts due to related parties	*24*	12,801	5,818	—	—
Income tax payable		22,149	24,444	21,504	22,950
		164,138	156,556	156,418	152,241
Net current assets		50,850	45,436	97,321	111,756
Total assets less current liabilities		154,083	157,733	205,906	218,575
Non-current liabilities					
Deferred tax liabilities	*26*	1,388	2,814	4,272	4,599
Net assets		152,695	154,919	201,634	213,976
CAPITAL AND RESERVES					
Share capital	*27*	429	—*	—*	—*
Reserves	*28*	152,266	154,919	201,634	213,976
Total equity		152,695	154,919	201,634	213,976

* The amount is less than RMB1,000

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		As at 30 April
		2019	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries		1	1	1
Current assets				
Other receivables	*20*	2,200	3,300	3,671
Cash and cash equivalents		—	3	3
		2,200	3,303	3,674
Current liabilities				
Other payables	*22*	1,726	960	2,527
Amounts due to subsidiaries	*24*	6,528	15,824	15,426
		8,254	16,784	17,953
Net current liabilities		(6,054)	(13,481)	(14,279)
Total assets less current liabilities		(6,053)	(13,480)	(14,278)
Net liabilities		(6,053)	(13,480)	(14,278)
CAPITAL AND RESERVES				
Share capital	*27*	—*	—*	—*
Reserves	*28*	(6,053)	(13,480)	(14,278)
Capital deficiency		(6,053)	(13,480)	(14,278)

* The amount is less than RMB1,000

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve#	Statutory reserve#	Fair value reserve (non-recycling)#	Translation reserve#	Retained profits#	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*	*(note 28)*	*(note 28)*	*(note 28)*		
As at 1 January 2018	**429**	**—**	**6,342**	**(1,084)**	**1,419**	**105,450**	**112,556**
Profit for the year	—	—	—	—	—	40,996	40,996
Other comprehensive income for the year:							
— Financial assets at FVOCI — net movement in fair value reserve	—	—	—	17	—	—	17
— Exchange differences on translation of financial statements of foreign operations	—	—	—	—	(874)	—	(874)
Total comprehensive income for the year	—	—	—	17	(874)	40,996	40,139
Appropriation to statutory reserve	—	—	3,267	—	—	(3,267)	—
As at 31 December 2018	**429**	**—**	**9,609**	**(1,067)**	**545**	**143,179**	**152,695**
As at 1 January 2019	429	—	9,609	(1,067)	545	143,179	152,695
Profit for the year	—	—	—	—	—	34,057	34,057
Other comprehensive income for the year:							
— Financial assets at FVOCI — net movement in fair value reserve	—	—	—	49	—	—	49
— Exchange differences on translation of financial statements of foreign operations	—	—	—	—	(382)	—	(382)
Total comprehensive income for the year	—	—	—	49	(382)	34,057	33,724
Effect of the Reorganisation *(note 28)*	(429)	429	—	—	—	—	—
Dividend approved, declared and paid *(note 12)*	—	—	—	—	—	(31,500)	(31,500)
Appropriation to statutory reserve	—	—	4,495	—	—	(4,495)	—

	Share capital	Capital reserve#	Statutory reserve#	Fair value reserve (non-recycling)#	Translation reserve#	Retained profits#	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*	*(note 28)*	*(note 28)*	*(note 28)*		
As at 31 December 2019 and 1 January 2020	**—***	**429**	**14,104**	**(1,018)**	**163**	**141,241**	**154,919**
Profit for the year	—	—	—	—	—	46,252	46,252
Other comprehensive income for the year:							
— Financial assets at FVOCI — net movement in fair value reserve	—	—	—	353	—	—	353
— Exchange differences on translation of financial statements of foreign operations	—	—	—	—	110	—	110
Total comprehensive income for the year	—	—	—	353	110	46,252	46,715
Appropriation to statutory reserve	—	—	4,908	—	—	(4,908)	—
As at 31 December 2020	**—***	**429**	**19,012**	**(665)**	**273**	**182,585**	**201,634**
As at 1 January 2021	**—***	**429**	**19,012**	**(665)**	**273**	**182,585**	**201,634**
Profit for the period	—	—	—	—	—	11,890	11,890
Other comprehensive income for the period:							
— Financial assets at FVOCI — net movement in fair value reserve	—	—	—	(209)	—	—	(209)
— Exchange differences on translation of financial statements of foreign operations	—	—	—	—	661	—	661
Total comprehensive income for the period	—	—	—	(209)	661	11,890	12,342
As at 30 April 2021	**—***	**429**	**19,012**	**(874)**	**934**	**194,475**	**213,976**

	Share capital	Capital reserve#	Statutory reserve#	Fair value reserve (non-recycling)#	Translation reserve#	Retained profits#	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*	*(note 28)*	*(note 28)*	*(note 28)*		
As at 1 January 2020	**—***	**429**	**14,104**	**(1,018)**	**163**	**141,241**	**154,919**
Profit for the period (Unaudited)	—	—	—	—	—	13,846	13,846
Other comprehensive income for the period (Unaudited):							
— Financial assets at FVOCI — net movement in fair value reserve	—	—	—	281	—	—	281
— Exchange differences on translation of financial statements of foreign operations	—	—	—	—	155	—	155
Total comprehensive income for the period (Unaudited)	—	—	—	281	155	13,846	14,282
As at 30 April 2020 (Unaudited)	**—***	**429**	**14,104**	**(737)**	**318**	**155,087**	**169,201**

Those reserve accounts comprise the reserves of RMB152,266,000, RMB154,919,000, RMB201,634,000 and RMB213,976,000 in the consolidated statements of financial position as at 31 December 2018, 2019 and 2020 and 30 April 2021, respectively.

* The amount is less than RMB1,000

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Four months ended 30 April 2020	Four months ended 30 April 2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating activities						
Profit before income tax		55,965	49,810	65,278	19,946	16,204
Adjustments for:						
Amortisation of intangible assets	*8*	45	35	4	4	—
Depreciation of right-of-use assets	*8*	239	239	239	81	81
Net (gain)/loss on disposal of property, plant and equipment	*8*	(10)	261	522	2	(5)
Depreciation of property, plant and equipment	*8*	10,309	12,042	12,658	4,313	4,142
Provision/(Reversal of provision) for loss allowance	*8*	64	81	(59)	(134)	(123)
(Gain)/Loss on disposal of financial assets at FVTPL	*7*	(175)	(156)	(731)	(731)	—
Loss on disposal of a joint venture	*7*	—	264	—	—	—
Fair value loss/(gain) on financial assets at FVTPL	*7*	340	(561)	109	69	(13)
Unrealised (gain)/loss on foreign exchange forward contracts	*7*	(4)	(1,053)	(1,576)	573	(809)
Realised loss/(gain) on foreign exchange forward contracts	*7*	380	1,264	(2,248)	677	937
Interest income	*5*	(421)	(654)	(652)	(173)	(191)
Net foreign exchange (gain)/loss		(2,376)	(768)	4,868	(555)	916
Dividend income from unlisted equity investment	*5*	(300)	(240)	(240)	(240)	(240)
Dividend income from units in investment funds	*5*	(215)	(36)	—	—	—
Finance costs	*6*	624	718	334	241	42
Share of results of a joint venture		(62)	(22)	—	—	—
Operating profit before working capital changes		64,403	61,224	78,506	24,073	20,941
(Increase)/Decrease in inventories		(7,903)	(17,426)	(8,603)	3,879	(13,897)
(Increase)/Decrease in trade and other receivables		(9,585)	(5,059)	(17,507)	11,021	3,322
(Increase)/Decrease in financial assets at FVTPL		(8,675)	(4,559)	19,231	19,231	—
Decrease in amounts due from related parties		384	420	99	—	—
Increase/(Decrease) in trade and other payables		3,456	(5,119)	20,756	(3,410)	(9,545)
(Decrease)/Increase in contract liabilities		(1,118)	585	(445)	515	1,115
Cash generated from operations		40,962	30,066	92,037	55,309	1,936
Income tax paid		(7,161)	(12,425)	(20,152)	(12,254)	(2,066)
Net cash generated from/(used in) operating activities		33,801	17,641	71,885	43,055	(130)

		Year ended 31 December			Four months ended 30 April	
		2018	2019	2020	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Investing activities						
Purchase of property, plant and equipment		(17,218)	(22,296)	(10,596)	(2,920)	(2,197)
Dividend income from unlisted equity investment		300	240	240	240	240
Dividend income from units in investment funds		215	36	—	—	—
Proceeds from disposal of property, plant and equipment		48	58	57	63	63
Interest received		421	654	652	173	191
Advance to related parties		(19,321)	(1,422)	—	(5,873)	—
Change in pledged bank deposits		3,180	2,605	1,494	(7,105)	(288)
Payment for additional acquisition of a joint venture		(101)	—	—	—	—
Net cash used in investing activities		(32,476)	(20,125)	(8,153)	(15,422)	(1,991)
Financing activities						
Proceeds from bank borrowings	*31*	120,520	112,077	70,198	25,256	23,891
Repayment of bank borrowings	*31*	(118,176)	(110,122)	(79,584)	(33,018)	(21,828)
Repayment to related parties	*31*	(13,764)	—	(5,818)	(5,747)	—
Advance from related parties	*31*	—	932	—	—	—
Interests paid		(612)	(688)	(373)	(219)	(42)
Net cash (used in)/generated from financing activities		(12,032)	2,199	(15,577)	(13,728)	2,021
Net (decrease)/increase in cash and cash equivalents		(10,707)	(285)	48,155	13,905	(100)
Cash and cash equivalents at beginning of the year/period		33,495	23,601	23,649	23,649	69,655
Effects of exchange rate changes		813	333	(2,149)	253	(669)
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	*21*	23,601	23,649	69,655	37,807	68,886

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Better Home Group Holdings Co., Limited (the "**Company**") was incorporated in the Cayman Islands on 21 May 2019 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and its principal place of business is No.378 Guangming Street, Deqing Economic Development Zone, Deqing County, Zhejiang Province, the People's Republic of China (the "**PRC**").

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and sales of laundry products, household cleaning tools and kitchen gadgets (the "**Listing Business**") during the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021 ("**Track Record Period**").

The Company's immediate and ultimate holding company is Beautiful Homeland Holdings Limited ("**Beautiful Homeland**"), a company incorporated in the British Virgin Islands ("**BVI**"). The Company is ultimately controlled by Mr. Zhu Boming ("**Mr. Zhu**"), Mr. Fang Gaisheng ("**Mr. Fang**"), Mr. Zhang Wenzhi ("**Mr. Zhang**") and Mr. Mao Chungen ("**Mr. Mao**") (collectively referred to as the "**Controlling Shareholders**"), who have entered into a Deed of Concert Parties as stated in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

The Company and its subsidiaries (together, the "**Group**") now comprising the Group underwent a group reorganisation (the "**Reorganisation**") as detailed in the section headed "History, Reorganisation and corporate structure" in the Prospectus, the Reorganisation was completed on 22 July 2019.

Upon the completion of the Reorganisation and as at the date of this report, the Company had direct and indirect interests in the following subsidiaries and a joint venture, all of which are private limited liability companies, and the particulars of which are set out below:

Company name	Place and date of incorporation and operation	Registered/Issued and paid up capital	Equity interest attributable to the Group As at 31 December 2018	31 December 2019	31 December 2020	30 April 2021	the date of this report	Principal activities
Subsidiaries								
Directly held:								
Happy Hours Holdings Limited ("**Happy Hours**") *(note (c))*	BVI, 30 May 2019	United States dollar ("**US$**") 100	N/A	100%	100%	100%	100%	Investment holding
Roses All The Way Investment Co., Limited ("**Roses All The Way**") *(note (c))*	BVI, 30 May 2019	US$100	N/A	100%	100%	100%	100%	Investment holding
Indirectly held:								
Grand Resources Industrial Limited ("**Grand Resources**") *(note (d))*	Hong Kong, 18 July 2001	Hong Kong dollar ("**HK$**") 500,000	100%	100%	100%	100%	100%	Investment holding
BHP Housewares Co., Limited ("**BHP Housewares**") *(note (d))*	Hong Kong, 7 September 2007	HK$10,000	100%	100%	100%	100%	100%	Sales of laundry products, household cleaning tools and kitchen gadgets
Better Home Products (Zhejiang) Co., Limited ("**BHP Zhejiang**") (浙江貝特日用品有限公司) *(notes (e) & (g))*	PRC, 18 September 2008	US$10,000,000	100%	100%	100%	100%	100%	Manufacturing and sales of laundry products, household cleaning tools and kitchen gadgets
Better Home Products (UK) Co Ltd ("**BHP UK**") *(note (f))*	United Kingdom, 18 September 2009	British Pound 100	100%	100%	100%	100%	100%	Sales of laundry products, household cleaning tools and kitchen gadgets
Joint venture								
The Home Laundry Company Limited ("**Home Laundry**") *(note (f))*	United Kingdom, 2 February 2009	British Pound 100	50%	—	—	—	—	Sales of furniture, household goods, hardware and ironmongery

Notes:

(a) The English name of the subsidiary established in the PRC is translated for identification purpose only.

(b) All companies now comprising the Group have adopted 31 December as their financial year end.

(c) No statutory financial statements have been prepared for Happy Hours and Roses All The Way as they are not subject to statutory audit requirements under relevant rules and regulations in the jurisdiction of incorporation.

(d) The statutory financial statements for the years ended 31 December 2018, 2019 and 2020 were prepared in accordance with Hong Kong Financial Reporting Standards and have been audited by ST Lo & Co., Certified Public Accountants, Hong Kong.

(e) The statutory financial statements of BHP Zhejiang for the years ended 31 December 2018, 2019 and 2020 were prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC ("**PRC GAAP**") and were audited in accordance with relevant auditing standards in the PRC by Huzhou De Xin United Certified Public Accountants (湖州德信聯合會計師事務所), Certified Public Accountants registered in the PRC.

(f) No statutory financial statements have been prepared for BHP UK and Home Laundry since their incorporation as they are entitled to exemption from statutory audit requirements under relevant rules and regulations in the jurisdiction of incorporation.

(g) The entity is established in the PRC in the form of wholly foreign-owned enterprise.

1.2 Basis of presentation

Pursuant to the Reorganisation as more fully explained in the paragraphs headed "Reorganisation" in the section headed "History, Reorganisation and corporate structure" to the Prospectus, the Company became the holding company of the companies now comprising the Group on 22 July 2019.

The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of the preparation of the Group's Historical Financial Information, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the Track Record Period, which include the financial performance, changes in equity and cash flows of the companies now comprising the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as if the current group structure had been in existence throughout the years ended 31 December 2018 and 2019, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position as at 31 December 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group using the existing book values from the Controlling Shareholders' perspective as if the current group structure had been in existence as at those respective dates. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Intra-group balances, transactions, cash flows and any unrealised gain/losses arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA. All applicable HKFRSs to the Track Record Period together with the relevant transition provisions, including HKFRS 16 "Leases" ("**HKFRS 16**") have been consistently adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period and adopted amendments to HKFRS 9 "Financial Instruments" ("**HKFRS 9**"), HKAS 39 "Financial Instruments: Recognition and Measurement" ("**HKAS 39**") and HKFRS 7 "Interest Rate Benchmark Reform — Phase 2" and amendments to HKFRS 16 "Covid-19-Related Rent Concessions" on 1 January 2021. Early adoption of HKFRS 16 and the adoption of HKFRS 9, HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**") and the new and amended HKFRSs does not have significant impacts on the Group's Historical Financial Information. The new and amended HKFRSs issued but not yet effective for the year beginning on or after 1 January 2022 are set out in note 2.2. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

The significant accounting policies that have been used in the preparation of this Historical Financial Information are summarised below. These policies have been consistently applied to all the years presented in the Historical Financial Information, unless otherwise stated.

The Historical Financial Information has been prepared on the historical cost basis, except for financial assets at fair value through profit and loss ("**FVTPL**") (see note 2.8) and fair value through other comprehensive income ("**FVOCI**") (see note 2.8) and derivative financial instruments (see note 2.11) are stated at fair value. The Historical Financial Information is presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and the major operating subsidiary in the PRC, BHP Zhejiang.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 3.

2.2 Issued but not yet effective HKFRSs

The Group has not early applied the following new and amended standards, amendments and interpretations ("**new and amended HKFRSs**") which have been issued but are not yet effective:

Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 17	Insurance Contract and related amendments[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts Cost of Fulfilling a Contract[3]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020[3]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

1 No mandatory effective date yet determined but available for adoption

2 Effective for annual periods beginning on or after 1 January 2023

3 Effective for annual periods beginning on or after 1 January 2022

4 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

5 Effective for annual periods beginning on or after 1 April 2021

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of the new and amended HKFRSs. These new and amended HKFRSs are not expected to have a material impact on the Group's Historical Financial Information.

2.3 Basis of consolidation and combination

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries for the Track Record Period.

The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

As explained in note 1.2 above, the acquisition of the subsidiaries under common control has been accounted for using the merger accounting.

The merger accounting involves incorporating the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party. The net assets of the combining entities using the existing book value from the perspective of the Controlling Shareholders of the Company. No amount is recognised in respect of goodwill or the excess of the acquirer's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the consideration transferred and of other items at the time of common control combination.

The acquisition of subsidiaries other than those under common control has been accounted for using the acquisition method.

The Group includes the income and expenses of a subsidiary in the Historical Financial Information from the date it gains control until the date when the Group ceases to control the subsidiary. Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Historical Financial Information. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statements of financial position, subsidiaries are carried at cost less any impairment loss (note 2.19) unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at each reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

In the Historical Financial Information, an investment in a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the joint venture's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the joint venture for the Track Record Period, including any impairment loss on the investment in a joint venture recognised for the Track Record Period. The Group's other comprehensive income for the Track Record Period includes its share of the joint venture's other comprehensive income for the Track Record Period.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Where unrealised losses on assets sales between the Group and its joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the joint venture's accounting policies to those of the Group when the joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. For this purpose, the Group's interest in the joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint venture. At each reporting date, the Group determines whether there is any objective evidence that the investment in joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the joint venture, including cash flows arising from the operations of the joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have joint control over a joint venture. If the retained interest in that joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would have been required if the joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

2.5 Foreign currency translation

In the individual financial statements of the combined/consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

In the Historical Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at each reporting date. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the Track Record Period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are stated at cost less accumulated depreciation and impairment losses (note 2.19). Cost includes expenditure that is directly attributable to the acquisition of the asset.

Construction in progress is stated at cost less accumulated impairment losses. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation on items of property, plant and equipment other than construction in progress is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method as follows:

Buildings	20 years
Machinery and production equipment	2 to 10 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	4 years
Leasehold improvements	3 to 5 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to the profit or loss during the financial period in which they are incurred.

2.7 Intangible assets and research and development activities

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (note 2.19). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use (i.e. when it is in the location and condition necessary for it to be capable of operation).

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets with finite useful lives are tested for impairment as described below in note 2.19.

Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 years.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

The cost capitalised include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

2.8 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statements of profit or loss and other comprehensive income.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

— amortised cost;

— FVTPL; or

— FVOCI.

The classification is determined by both:

— the entity's business model for managing the financial asset; and

— the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within "Finance costs" or "Other (losses)/gains, net" in the consolidated statements of profit or loss and other comprehensive income.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

— they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

— the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in "Other income" in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, pledged bank deposits, trade and other receivables (excluding prepayments and value-added tax recoverable) and amounts due from related parties fall into this category of financial assets.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under HKFRS 9 apply.

Equity investments and wealth management products

An investment in equity securities or wealth management products is classified as FVTPL unless the equity investment or wealth management product is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in "Fair value reserve (non-recycling)" in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

The equity instruments at FVOCI are not subject to impairment assessment. The cumulative gain or loss in "Fair value reserve (non-recycling)" will not be reclassified to profit or loss upon disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Dividends are included in the "Other income" in profit or loss.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include bank borrowings, trade and other payables and amounts due to related parties, and the Company's financial liabilities include other payables and amounts due to subsidiaries.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in profit or loss.

Financial liabilities of the Group and the Company are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after each reporting date.

Derivative financial instruments

Details of accounting policy of derivative financial instruments are set out in note 2.11.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.9 Impairment of financial assets

HKFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses ("**ECL**") — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**") and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**").

"Stage 3" would cover financial assets that have objective evidence of impairment at each reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial assets.

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the past due status.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables and amounts due from related parties equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at each reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in regulatory, business, financial or economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor; and

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at each reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 33.4.

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all cost of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, and is determined by using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expenses in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.11 Derivative financial instruments

Derivative financial instruments are recognised at fair value at each reporting date with gain or loss on remeasurement to fair value recognised immediately in profit or loss.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2.9.

2.13 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.17) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.9 and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.17). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.8).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.14 Leases

The Group as a lessee

For any new contracts entered into during the Track Record Period, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve months or less.

The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group earns rental income from operating leases of certain portion of its buildings. Rental income is recognised on a straight-line basis over the term of lease.

2.15 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.16 Share capital

Ordinary shares are classified as equity. Share capital represented the aggregate of paid-up capital of companies comprising the Group after elimination of inter-company investments prior to the completion of the Reorganisation.

After the completion of the Reorganisation, share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deduction from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.17 Revenue recognition

Revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflect the consideration to which the Group expects to be entitled in exchange for those goods and services. Specially, the Group uses a 5-step approach for revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs;

- the Group's performance creates and enhances an asset that customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress toward complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

Details of the Group's revenue and other income recognition policies are as follows:

Revenue from the sales of laundry products, household cleaning tools and kitchen gadgets for a fixed fee is recognised when the Group transfers control of the assets to the customer in which the control is transferred at the point in time the customer takes undisputed delivery of the goods. Revenue from sales of laundry products, household cleaning tools and kitchen gadgets excludes value-added tax or other sales taxes.

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend income is recognised when the shareholder's right to receive payment is established.

Accounting policies for rental income are set out in note 2.14.

2.18 Government subsidies

Subsidies from the government are recognised at their fair value when there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

Government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government subsidies relating to income is presented in gross under "Other income" in the consolidated statements of profit or loss and other comprehensive income.

2.19 Impairment of other non-financial assets

Property, plant and equipment, right-of-use assets, intangible assets, and interests in subsidiaries in the Company's statements of financial position are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Impairment loss is charged pro-rata to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.20 Employee benefits

Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contributions retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to a certain ceiling.

The municipal and provincial governments undertake to assure the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independent administrated funds managed by the PRC government.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The Group operate a defined contribution retirement benefit plan in respect of its employees in the United Kingdom. Contribution are made based on a certain percentage of the employees' basic salaries.

The contributions are recognised as employee benefit expenses when they become payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to each reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.21 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

2.22 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at each reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the Track Record Period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit or loss.

Deferred tax is calculated using the liability method on temporary differences at each reporting date between the carrying amounts of assets and liabilities in the Historical Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at each reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the period in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable income in those years. The estimate of future taxable income includes:

(a) income or loss excluding reversals of temporary differences; and

(b) reversals of existing temporary differences.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax assets and current tax liabilities are presented in net if, and only if:

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.23 Related parties

For the purposes of this Historical Financial Information, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group and the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a company of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker ("**CODM**") for his decisions about resources allocation to the Group's business components and for his review of the performance of those components.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equals to 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:

Estimation of impairment of trade and other receivables (excluding prepayments, prepaid listing expenses and value-added tax recoverable) and amounts due from related parties

The Group follows the guidance of HKFRS 9 to makes allowances on items subjects to ECL (including trade and other receivables (excluding prepayments, prepaid listing expenses and value-added tax recoverable) and amounts due from related parties), based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at each reporting date as set out in note 2.9.

The carrying amount of the Group's trade receivables as at 31 December 2018, 2019 and 2020 and 30 April 2021 amounted to approximately RMB67,045,000, RMB60,693,000, RMB79,485,000 and RMB79,694,000 respectively and ECL allowance as at 31 December 2018, 2019 and 2020 and 30 April 2021 amounted to approximately RMB275,000, RMB356,000, RMB297,000 and RMB174,000 respectively.

Details of the trade and other receivables (excluding prepayments, prepaid listing expenses and value-added tax recoverable) and amounts due from related parties are disclosed in notes 20 and 24(a) to the Historical Financial Information respectively.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and other receivables (excluding prepayments, prepaid listing expenses and value-added tax recoverable) and amount due from related parties and credit losses in the periods in which such estimates has been changed.

Estimation of fair value of financial instruments not traded in an active market

As at 31 December 2018, 2019 and 2020 and 30 April 2021, financial instruments that are not traded in an active market including foreign exchange forward contracts, unlisted wealth management products, units in investment funds and unlisted equity investment. The fair values are determined by using valuation techniques, details of which are set out in note 33.7. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Group bases its assumptions on observable data as far as possible but this is not always available, in that case the Group uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at each reporting date.

Amortisation charges of intangible assets and depreciation charges of property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of amortisation or depreciation expenses to be recorded during the Track Record Period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The carrying amounts of intangible assets and property, plant and equipment at each reporting date are set out in notes 16 and 13 to the Historical Financial Information respectively.

Write-down of inventories

The Group reviews the condition of inventories at each reporting date, and make allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

3.2 Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Current income tax

The Group is subject to income taxes in several jurisdictions, significant judgement is required in determining the provision of income tax under the relevant tax jurisdiction. There are transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final outcome of these matters may be different from the amounts that we initially recorded, such differences will impact the current income tax and deferred tax provision in the period in which such determination is made.

Deferred tax

Deferred income tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Deferred tax liabilities relating to distributable profits not yet paid out as dividends that are generated by the PRC subsidiary have been recognised in the Historical Financial Information. Deferred tax liabilities have not been recognised as at 31 December 2018, 2019 and 2020 and 30 April 2021 in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiary of approximately RMB21,140,000, RMB31,645,000, RMB48,871,000 and RMB53,778,000, respectively as the Company controls the dividend policy of this subsidiary and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

4 REVENUE AND SEGMENT REPORTING

The executive directors of the Company have been identified as the CODM of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group is principally engaged in the manufacturing and sales of laundry products, household cleaning tools and kitchen gadgets. The CODM regards the Group's business of manufacturing and sale of laundry products, household cleaning tools and kitchen gadgets as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation and performance assessment. Accordingly, no segment analysis information is presented.

(i) Information about major customers

The following table sets out the revenue from the Group's customers which individually contributed over 10% of the Group's revenue during the Track Record Period and the four months ended 30 April 2020.

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Customer A	138,718	139,224	160,712	31,860	32,808
Customer B	43,069	55,388	69,101	25,275	25,447
Customer C	40,222	36,143	41,690	N/A*	N/A*
Customer D	N/A*	N/A*	N/A*	N/A*	17,192

* Transactions with these customers did not exceed 10% of the Group's revenue in the respective years or periods.

(ii) Disaggregation of revenue

In the following table, revenue is disaggregated by major products and timing of revenue recognition.

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Products					
Laundry products	159,029	165,008	176,963	69,075	78,471
Household cleaning tools	164,386	166,712	192,025	41,018	46,452
Kitchen gadgets	5,333	4,833	15,752	2,749	1,317
	328,748	336,553	384,740	112,842	126,240
Timing of revenue recognition					
At a point in time	328,748	336,553	384,740	112,842	126,240

(iii) Performance obligations

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Geographical information

Information about the Group's revenue by geographical locations of customers based on the location at which the goods are delivered is presented as below:

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Australia	40,156	38,075	40,542	11,065	9,116
Germany	52,690	62,740	61,764	26,513	35,202
United Kingdom	62,070	60,538	61,593	26,593	26,253
United States	147,544	149,571	178,109	35,572	33,984
Others	26,288	25,629	42,732	13,099	21,685
	328,748	336,553	384,740	112,842	126,240

The geographical location of the Group's property, plant and equipment, right-of-use assets, deposits paid for acquisition of property, plant and equipment, interest in a joint venture and intangible assets ("**specified non-current assets**") is based on the physical location of the assets in the case of property, plant and equipment, right-of-use assets and deposits paid for acquisition of property, plant and equipment, the location of the operations to which they are allocated in the case of intangible assets, and the location of operations in the case of interest in a joint venture.

Information about the Group's specified non-current assets by geographical locations is presented as below:

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC	99,628	108,518	104,785	103,697
Others	242	—	—	—
	99,870	108,518	104,785	103,697

5 OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Bank interest income	421	654	652	173	191
Dividend income from unlisted equity investment *(note 17)*	300	240	240	240	240
Dividend income from units in investment funds *(note 18)*	215	36	—	—	—
Government subsidies *(note (a))*	1,674	2,548	3,447	703	290
Rental income	6	3	—	—	—
Others *(note (b))*	435	100	300	113	192
	3,051	3,581	4,639	1,229	913

Notes:

(a) The amount represents unconditional government subsidies received from local government for research and development and operating activities.

(b) The amount mainly represents sales of scraps and moulds.

6 FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest charges on bank borrowings	624	718	334	241	42

7 OTHER GAINS/(LOSSES), NET

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Unrealised gain/(loss) on foreign exchange forward contracts	4	1,053	1,576	(573)	809
Realised (loss)/gain on foreign exchange forward contracts	(380)	(1,264)	2,248	(677)	(937)
Fair value (loss)/gain on financial assets at FVTPL	(340)	561	(109)	(69)	13
Gain on disposal of financial assets at FVTPL	175	156	731	731	—
Net gain/(loss) on disposal of property, plant and equipment	10	(261)	(522)	(2)	5
Loss on disposal of a joint venture	—	(264)	—	—	—
Net foreign exchange gain/(loss)	4,839	1,728	(7,940)	(24)	(1,478)
(Provision)/Reversal of provision for ECL allowance on trade receivables	(64)	(81)	59	134	123
	4,244	1,628	(3,957)	(480)	(1,465)

8 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Auditor's remuneration	21	87	22	22	25
Depreciation of right-of-use assets	239	239	239	81	81
Amortisation of intangible assets	45	35	4	4	—
Cost of inventories recognised as expenses *(note)*	223,534	234,229	267,847	75,575	90,328
Depreciation of property, plant and equipment	10,309	12,042	12,658	4,313	4,142
Net foreign exchange (gain)/loss	(4,839)	(1,728)	7,940	(24)	(1,478)
Net (gain)/loss on disposal of property, plant and equipment	(10)	261	522	2	(5)
Government subsidies	(1,674)	(2,548)	(3,447)	(703)	(290)
Research and development costs (including staff costs)	1,473	1,506	1,700	668	1,021
Listing expenses	—	5,974	7,683	3,286	1,184
Provision/(Reversal of provision) for ECL allowance on trade receivables	64	81	(59)	(134)	(123)
Lease charges on short-term leases	4	90	182	39	297
Staff costs (including directors' emoluments)					
Salaries, wages and other benefits	40,014	50,542	56,956	17,162	20,423
Contributions to defined contribution plans	5,542	5,699	3,292	1,286	3,018

Note: Cost of inventories recognised as expenses included RMB20,217,000, RMB19,662,000, RMB21,158,000, RMB5,247,000 (unaudited) and RMB11,567,000 relating to labour service fees and subcontracting fees for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2020 and 2021 respectively.

9 INCOME TAX EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax					
— Hong Kong Profits Tax	626	—	792	331	728
— PRC EIT	13,744	14,695	16,444	5,168	2,790
	14,370	14,695	17,236	5,499	3,518
Deferred tax *(note 26)*	599	1,058	1,790	601	796
Total income tax expense	14,969	15,753	19,026	6,100	4,314

Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands during the Track Record Period and the four months ended 30 April 2020.

BVI

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI during the Track Record Period and the four months ended 30 April 2020.

Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces a two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5% for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021.

PRC EIT

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for subsidiaries established in the PRC.

Overseas

Taxation on overseas profits are calculated on the estimated assessable profits at the rates of taxation prevailing in the countries in which the Group operates. During the Track Record Period and the four months ended 30 April 2020, the Group does not have any significant exposure to overseas tax.

Reconciliations between income tax expense and accounting profit at applicable tax rate:

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	55,965	49,810	65,278	19,946	16,204
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	13,535	12,961	16,354	5,118	3,809
Tax effect of non-deductible expenses	477	1,780	1,382	702	240
Tax effect of non-taxable revenue	(179)	(414)	(168)	(200)	(62)
Withholding tax on distributable profits of a subsidiary *(note 26)*	1,136	1,426	1,458	480	327
Income tax expense	14,969	15,753	19,026	6,100	4,314

10 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

10.1 Directors' emoluments

	Year ended 31 December 2018				
	Fees	Salaries, allowances and benefits	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000* *(note (e))*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Zhu Boming	—	276	140	35	451
Mr. Fang Gaisheng	—	131	140	23	294
Mr. Mao Chungen	—	131	140	23	294
	—	538	420	81	1,039

	Year ended 31 December 2019				
	Fees	Salaries, allowances and benefits	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000* *(note (e))*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Zhu Boming	—	276	140	35	451
Mr. Fang Gaisheng	—	172	140	26	338
Mr. Mao Chungen	—	132	140	23	295
	—	580	420	84	1,084

	Year ended 31 December 2020				
	Fees	Salaries, allowances and benefits	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000* *(note (e))*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Zhu Boming	—	276	117	25	418
Mr. Fang Gaisheng	—	177	117	19	313
Mr. Mao Chungen	—	132	117	17	266
Non-executive director:					
Ms. Zhu Yi	—	—	—	—	—
	—	585	351	61	997

	Four months ended 30 April 2020 (Unaudited)				
	Fees	Salaries, allowances and benefits	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000* *(note (e))*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Zhu Boming	—	92	39	13	144
Mr. Fang Gaisheng	—	64	39	13	116
Mr. Mao Chungen	—	44	39	13	96
Non-executive director:					
Ms. Zhu Yi	—	—	—	—	—
	—	200	117	39	356

	Four months ended 30 April 2021				
	Fees	Salaries, allowances and benefits	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000* *(note (e))*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Zhu Boming	—	172	20	16	208
Mr. Fang Gaisheng	—	102	20	10	132
Mr. Mao Chungen	—	96	20	10	126
Non-executive director:					
Ms. Zhu Yi	—	—	—	—	—
	—	370	60	36	466

Notes:

(a) Mr. Zhu Boming was appointed as director of the Company on 21 May 2019 and redesignated as an executive director, the chairman and chief executive officer on 23 April 2020. Mr. Fang Gaisheng and Mr. Mao Chungen were appointed as directors on 21 May 2019 and redesignated as executive directors on 23 April 2020.

(b) Ms. Zhu Yi was appointed as a director of the Company on 22 April 2020 and re-designated as an non-executive director of the Company on 23 April 2020. During the Track Record Period and the four months ended 30 April 2020, the non-executive director did not received any director's emoluments in the capacity of the non-executive director.

(c) Mr. Guan Yuchun, Mr. Zhao Xiaoming and Ms. Kung On Yee were appointed as independent non-executive directors of the Company on 12 October 2021. During the Track Record Period and the four months ended 30 April 2020, the independent non-executive directors have not yet been appointed.

(d) The emoluments shown above represents emoluments received from the Group by these directors in their capacity as employees of the Group and/or in their capacity as directors of the companies comprising the Group during the Track Record Period and the four months ended 30 April 2020.

(e) The discretionary bonuses are determined by reference to the financial performance of the Group and the performance of the individual director.

(f) Mr. Zhang Wenzhi was appointed as a director of the Company on 21 May 2019 and resigned on 30 July 2019 during which director's emoluments of RMB65,000 in his capacity as an employee of the Group was received.

10.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021 include 3, 3, 3, 3 (unaudited) and 3 directors respectively, whose emoluments were disclosed in note 10.1 above. The aggregate of the emoluments of the remaining 2, 2, 2, 2 (unaudited) and 2 individuals for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021 respectively were as follows:

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits	347	388	408	136	236
Discretionary bonuses	140	280	223	74	38
Contributions to retirement benefit schemes	41	56	34	17	23
	528	724	665	227	297

The above individuals' emoluments are within the following band:

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (Unaudited)	*Number of individuals*
Nil to HK$1,000,000	2	2	2	2	2

No director or the five highest paid individual received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period and the four months ended 30 April 2020. No director or the five highest paid individual has waived or agreed to waive any emoluments during the Track Record Period and the four months ended 30 April 2020.

11 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Track Record Period and the four months ended 30 April 2020 as disclosed in note 1.2 above.

12 DIVIDENDS

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interim dividends	—	31,500	—	—	—

Prior to the Reorganisation, Grand Resources has declared and paid dividends to its then shareholders amounting to RMB31,500,000 during the year ended 31 December 2019.

No dividend has been paid or declared by the Company since its date of incorporation.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and production equipment	Motor vehicles	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018							
Cost	64,170	54,656	3,114	3,962	13,761	2,104	141,767
Accumulated depreciation	(16,496)	(28,146)	(2,609)	(3,286)	(11,168)	—	(61,705)
Net book amount	47,674	26,510	505	676	2,593	2,104	80,062
Year ended 31 December 2018							
Opening net book amount	47,674	26,510	505	676	2,593	2,104	80,062
Additions	—	6,059	844	31	3,273	8,112	18,319
Disposals	—	—	(38)	—	—	—	(38)
Depreciation	(3,010)	(5,495)	(72)	(179)	(1,553)	—	(10,309)
Closing net book amount	44,664	27,074	1,239	528	4,313	10,216	88,034
As at 31 December 2018 and 1 January 2019							
Cost	64,170	60,715	3,572	3,993	17,034	10,216	159,700
Accumulated depreciation	(19,506)	(33,641)	(2,333)	(3,465)	(12,721)	—	(71,666)
Net book amount	44,664	27,074	1,239	528	4,313	10,216	88,034

	Buildings	Machinery and production equipment	Motor vehicles	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019							
Opening net book amount	44,664	27,074	1,239	528	4,313	10,216	88,034
Additions	—	14,806	2,854	252	—	1,353	19,265
Transfers	11,352	—	—	—	—	(11,352)	—
Disposals	—	(314)	(166)	—	—	—	(480)
Depreciation	(3,392)	(6,217)	(656)	(125)	(1,652)	—	(12,042)
Closing net book amount	52,624	35,349	3,271	655	2,661	217	94,777
As at 31 December 2019 and 1 January 2020							
Cost	75,522	74,525	4,770	4,245	17,034	217	176,313
Accumulated depreciation	(22,898)	(39,176)	(1,499)	(3,590)	(14,373)	—	(81,536)
Net book amount	52,624	35,349	3,271	655	2,661	217	94,777
Year ended 31 December 2020							
Opening net book amount	52,624	35,349	3,271	655	2,661	217	94,777
Additions	394	12,276	—	13	142	—	12,825
Disposals	—	(572)	(7)	—	—	—	(579)
Depreciation	(3,479)	(7,100)	(871)	(113)	(1,095)	—	(12,658)
Closing net book amount	49,539	39,953	2,393	555	1,708	217	94,365
As at 31 December 2020 and 1 January 2021							
Cost	75,916	84,014	4,704	4,258	17,176	217	186,285
Accumulated depreciation	(26,377)	(44,061)	(2,311)	(3,703)	(15,468)	—	(91,920)
Net book amount	49,539	39,953	2,393	555	1,708	217	94,365
Four months ended 30 April 2021							
Opening net book amount	49,539	39,953	2,393	555	1,708	217	94,365
Additions	—	2,154	—	—	—	45	2,199
Disposals	—	(1)	—	—	—	—	(1)
Depreciation	(1,162)	(2,415)	(291)	(29)	(245)	—	(4,142)
Closing net book amount	48,377	39,691	2,102	526	1,463	262	92,421

	Buildings	Machinery and production equipment	Motor vehicles	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 April 2021							
Cost	75,916	86,160	4,704	4,258	17,176	262	188,476
Accumulated depreciation	(27,539)	(46,469)	(2,602)	(3,732)	(15,713)	—	(96,055)
Net book amount	48,377	39,691	2,102	526	1,463	262	92,421

As at 31 December 2018, 2019 and 2020 and 30 April 2021, property, plant and equipment with carrying amount of RMB55,874,000, RMB52,437,000, RMB53,034,000 and RMB51,437,000 respectively were pledged as collateral for the Group's bank borrowings (note 25).

14 RIGHT-OF-USE ASSETS

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year	9,998	9,759	9,520	9,281
Depreciation	(239)	(239)	(239)	(81)
Carrying amount at the end of the year	9,759	9,520	9,281	9,200
In PRC:				
Lease of 50 years	9,759	9,520	9,281	9,200

The right-of-use assets represent land use rights in the PRC, which are held under long-term lease.

As at 31 December 2018, 2019 and 2020 and 30 April 2021, right-of-use assets with a carrying amount of RMB9,759,000, RMB9,520,000, RMB9,281,000 and RMB9,200,000 respectively were pledged as collateral for the Group's bank borrowings (note 25).

15 INTEREST IN A JOINT VENTURE

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	242	—	—	—

As at 31 December 2018, 2019 and 2020 and 30 April 2021, details of the Group's interest in a joint venture, having a reporting date of 31 December, which is an unlisted corporate entity whose quoted market price is not available, are as follows:

Name of joint venture	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of interest held by the Group As at 31 December 2018	2019	2020	30 April 2021	Principal activities
Home Laundry	United Kingdom	British Pound 100	50%	—	—	—	Sales of furniture, household goods, hardware and ironmongery

Pursuant to a joint venture agreement dated on 9 March 2009, the board of directors of Home Laundry was setup according to the shareholding ratio by shareholders and all decisions about the relevant activities require unanimous consent of all directors.

On 3 July 2018, the Group acquired approximately an additional equity interest of 17% in Home Laundry for a total cash consideration of approximately GBP12,000 (equivalent to RMB101,000).

On 3 June 2019, the Group disposed of its 50% equity interest in Home Laundry to the joint venture shareholder at consideration of RMBNil. As at the date of the disposal, the carrying amount of the joint venture was approximately RMB264,000.

At 31 December 2018, 2019 and 2020 and 30 April 2021, no joint venture is considered to be individually material to the Group.

16 INTANGIBLE ASSETS

	Computer software
	RMB'000
As at 1 January 2018	
Cost	528
Accumulated amortisation	(444)
Net book amount	84
Year ended 31 December 2018	
Opening net book amount	84
Amortisation	(45)
Closing net book amount	39
As at 31 December 2018 and 1 January 2019	
Cost	528
Accumulated amortisation	(489)
Net book amount	39
Year ended 31 December 2019	
Opening net book amount	39
Amortisation	(35)
Closing net book amount	4
As at 31 December 2019 and 1 January 2020	
Cost	528
Accumulated amortisation	(524)
Net book amount	4
Year ended 31 December 2020	
Opening net book amount	4
Amortisation	(4)
Closing net book amount	—
As at 31 December 2020, 1 January 2021 and 30 April 2021	
Cost	528
Accumulated amortisation	(528)
Net book amount	—

The amortisation charge is included in "Administrative and other operating expenses" in the consolidated statements of profit or loss and other comprehensive income.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investment, at fair value	1,578	1,643	2,114	1,835

The above financial assets represent investment in an unlisted private entity, incorporated in the PRC, which is principally engaged in the provision of financing guarantee. The Group designated its investment in the unlisted equity investment as FVOCI (non-recycling), as this investment is held for long-term strategic purpose.

The dividend income received related to the unlisted equity investments for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021 were RMB300,000, RMB240,000, RMB240,000, RMB240,000 (unaudited) and RMB240,000 respectively.

The fair value of the Group's unlisted equity investments has been measured as described in note 33.7.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Units in investment funds, at fair value	4,412	—	—	—
Unlisted wealth management products, at fair value	15,303	24,820	6,211	6,224
	19,715	24,820	6,211	6,224

The carrying amounts of the above financial assets are classified as held for trading and are mandatorily measured at FVTPL in accordance with HKFRS 9.

The dividend income received related to the units in investment funds for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021 were RMB215,000, RMB36,000, RMBNil, RMBNil (unaudited) and RMBNil respectively.

The wealth management products are issued by financial institutions in which the principal amount and investment return are unsecured, unguaranteed and carry at a variable rate of return based on the performance of underlying investment portfolio.

The fair values of the Group's units in investment funds and unlisted wealth management products have been measured as described in note 33.7.

19 INVENTORIES

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	17,956	22,223	24,710	32,069
Packaging materials	5,978	7,356	9,853	8,954
Work in progress	4,222	13,085	16,224	25,050
Finished goods	5,867	8,785	9,265	7,876
	34,023	51,449	60,052	73,949

20 TRADE AND OTHER RECEIVABLES

		The Company			The Group			
		As at 31 December		As at 30 April	As at 31 December			As at 30 April
		2019	**2020**	**2021**	**2018**	**2019**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	*20.1*	—	—	—	67,320	61,049	79,782	79,868
Less: ECL allowance		—	—	—	(275)	(356)	(297)	(174)
		—	—	—	67,045	60,693	79,485	79,694
Derivative financial instruments	*20.2*	—	—	—	4	1,053	1,576	809
Prepayments		—	—	—	3,032	8,851	8,944	5,719
Prepaid listing expenses		2,200	3,300	3,671	—	2,200	3,300	3,671
Other receivables		—	—	—	2,710	2,807	1,973	1,820
Value-added tax recoverable		—	—	—	2,428	5,285	2,951	3,345
		2,200	3,300	3,671	8,174	20,196	18,744	15,364
		2,200	3,300	3,671	75,219	80,889	98,229	95,058

20.1 Trade receivables

As at each reporting date, the ageing analysis of trade receivables, net of ECL allowance, based on the invoice date (or date of revenue recognition if earlier) is as follows:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	37,038	30,464	30,755	37,787
31 days to 60 days	12,246	17,695	26,707	25,840
61 days to 90 days	10,339	12,050	15,483	12,676
91 days to 180 days	4,600	468	6,526	3,296
181 days to 365 days	2,822	16	14	95
	67,045	60,693	79,485	79,694

Further details of the Group's credit policy and credit risk arising from trade and other receivables are set out in note 33.4.

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the bank borrowings were secured by trade receivables of RMB26,202,000, RMB25,643,000, RMB17,834,000 and RMB20,413,000 respectively (note 25).

20.2 Derivative financial instruments

The Group held certain foreign exchange forward contracts classified as held for trading and not under hedge accounting. Foreign exchange forward contracts entered into by the Group with banks were measured at FVTPL. The fair value of these contracts has been measured as described in note 33.7.

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the Group had entered into the following foreign exchange forward contracts:

	Receiving currency	Selling currency	Maturity date
31 December 2018			
Contract A	RMB5,915,000	US$860,000	2 January 2019
Contract B	RMB6,855,000	US$1,000,000	10 January 2019 to 21 January 2019

	Receiving currency	Selling currency	Maturity date
31 December 2019			
Contract C	RMB126,622,000	US$18,000,000	10 January 2020 to 30 October 2020

	Receiving currency	Selling currency	Maturity date
31 December 2020			
Contract D	RMB7,029,960	US$1,000,000	29 January 2021
Contract E	RMB14,120,800	US$2,000,000	5 January 2021 to 1 February 2021

	Receiving Currency	Selling Currency	Maturity date
30 April 2021			
Contract F	RMB32,706,090	US$5,000,000	31 May 2021 to 30 September 2021
Contract G	RMB16,607,000	US$2,500,000	31 August 2021 to 31 December 2021

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the derivative financial instruments were secured by pledged bank deposits of RMB6,918,000, RMB6,403,000, RMB1,215,000 and RMB1,798,000 respectively (note 21).

21 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks	23,528	23,612	69,638	68,829
Cash on hand	73	37	17	57
Pledged bank deposits	23,641	21,036	19,542	19,830
Bank balances and cash	47,242	44,685	89,197	88,716
Less: Pledged bank deposits	(23,641)	(21,036)	(19,542)	(19,830)
Cash and cash equivalents	23,601	23,649	69,655	68,886

Cash at banks earns interests at floating rates based on daily bank deposit rates.

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the pledged bank deposits represents deposits pledged to banks as security of bills payables (note 22), letter of credit and derivative financial instruments respectively.

As at 31 December 2018, 2019 and 2020 and 30 April 2021, included in bank balances and cash of the Group is RMB28,135,000, RMB23,381,000, RMB31,633,000 and RMB25,344,000 of bank balances respectively denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

22 TRADE AND OTHER PAYABLES

	The Company			The Group			
			As at				As at
	As at 31 December		April 30	As at 31 December			April 30
	2019	2020	2021	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables							
Trade payables	—	—	—	34,016	42,025	48,161	40,549
Bills payables	—	—	—	62,439	45,537	59,105	58,331
	—	—	—	96,455	87,562	107,266	98,880
Other payables and accruals							
Accrued listing expenses	1,632	960	2,527	—	1,632	960	2,527
Accrued expenses and other payables	94	—	—	910	964	1,045	934
Payable for purchase of property, plant and equipment	—	—	—	1,109	534	1,383	444
Staff costs and welfare accruals	—	—	—	5,740	7,288	7,288	6,263
Other taxes payables	—	—	—	491	868	774	1,016
	1,726	960	2,527	8,250	11,286	11,450	11,184
	1,726	960	2,527	104,705	98,848	118,716	110,064

The Group is granted by its suppliers a credit period of 0 to 60 days. The bills payables have a maturity period of 90 to 180 days. As at 31 December 2018, 2019 and 2020 and 30 April 2021, based on the invoice date or issuance date, the ageing analysis of the trade and bills payables are as follows:

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	38,238	35,955	32,686	34,321
31 days to 60 days	12,631	17,462	23,905	16,820
61 days to 90 days	17,525	6,045	17,223	15,079
91 days to 180 days	27,307	26,956	32,283	32,161
181 days to 365 days	539	136	294	56
Over 365 days	215	1,008	875	443
	96,455	87,562	107,266	98,880

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the bills payables were secured by pledged bank deposits of RMB16,723,000, RMB14,633,000, RMB18,327,000 and RMB18,032,000 respectively (note 21).

23 CONTRACT LIABILITIES

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities arising from receipts in advance of sales of goods	196	781	336	1,451

When the Group receives a deposit before the production or sales activity commences, this will give rise to contract liabilities at the start of a contract until the revenue recognised on the sales exceeds the amount of the deposit. The amount of the sales deposit, if any, is negotiated on a case by case basis with customers. The changes in the contract liabilities are mainly attributable to short-term advances received from customers in relation to sale of products.

Contract liabilities outstanding at the beginning of the year/period amounting to RMB1,314,000, RMB196,000, RMB781,000, RMB781,000 (unaudited) and RMB336,000 have been recognised as revenue for the years ended 31 December 2018, 2019 and 2020 and four months ended 30 April 2020 and 2021 respectively.

24 AMOUNTS DUE FROM/(TO) RELATED PARTIES/SUBSIDIARIES

(a) Amounts due from related parties

	As at 1 January	As at 31 December			As at 30 April	Maximum balance outstanding during: Year ended 31 December			Four months ended 30 April	
	2018	2018	2019	2020	2021	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Mr. Fang Gaisheng *(note (i))*	2,358	5,516	—	—	—	5,516	5,516	—	—	—
Mr. Zhang Wenzhi *(note (ii))*	—	2,605	50	50	50	2,605	2,605	50	50	50
Mr. Mao Chungen *(note (i))*	—	2,002	—	—	—	2,002	2,002	—	—	—
Ms. Lou Zhequn *(note (iii))*	15,313	28,147	—	—	—	30,208	28,147	—	—	—
Better Home Products (Huzhou) Co., Ltd (湖州貝特日用品貿易有限公司) ("**BHP Huzhou**") *(note (iv))*	903	519	99	—	—	1,019	519	99	99	—
	18,574	38,789	149	50	50					

(b) Amounts due to related parties

	The Company: As at 31 December		As at 30 April	The Group: As at 31 December			As at 30 April
	2019	2020	2021	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Zhu Boming *(note (i))*	—	—	—	12,801	5,818	—	—

Notes:

(i) Mr. Zhu Boming, Mr. Fang Gaisheng and Mr. Mao Chungen are the Controlling Shareholders and executive directors of the Company.

(ii) Mr. Zhang Wenzhi is one of the Controlling Shareholders.

(iii) Ms. Lou Zhequn is the spouse of Mr. Zhu Boming.

(iv) BHP Huzhou is a related company of the Company, which is controlled by the Controlling Shareholders of the Company.

The amounts due were unsecured, interest-free, repayable on demand and non-trade nature.

The Group's amounts due from/(to) related parties have been settled prior to the Listing.

25 BANK BORROWINGS

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings, secured				
Variable-rate bank borrowings	24,287	26,665	15,862	17,776

Notes:

(a) Bank borrowings were carried at amortised cost and repayable within one year.

(b) The ranges of effective interest rates per annum on the Group's bank borrowings are as follows:

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
Variable-rate bank borrowings	2.94% to 3.52%	2.55% to 2.68%	0.94% to 1.22%	0.72% to 0.80%

The variable-rate borrowings carry the floating-rates at London Inter-Bank Offer Rate ("**LIBOR**") minus basis points or LIBOR plus a premium.

(c) The Group's bank borrowings are denominated in US$.

(d) As at 31 December 2018, 2019 and 2020 and 30 April 2021, banking facilities amounted to RMB32,000,000 are utilised to the extent of RMB10,858,000, RMB14,889,000, RMBNil and RMBNil by the Group respectively.

(e) The bank borrowings are secured and guaranteed by:

(i) The following assets of the Group:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment *(note 13)*	55,874	52,437	53,034	51,437
Right-of-use assets *(note 14)*	9,759	9,520	9,281	9,200
Trade receivables *(note 20)*	26,202	25,643	17,834	20,413
	91,835	87,600	80,149	81,050

(ii) Charges over certain properties held by Mr. Zhu Boming and his spouse and personal guarantees by Mr. Zhu Boming and his spouse. Such charges and guarantees have been released prior to the Listing.

26 DEFERRED TAXATION

The amounts recognised in the consolidated statements of financial position are as follows:

The movement of net deferred tax assets/(liabilities) are as follows:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	(499)	397	(678)	(2,586)
Recognised in profit or loss *(note 9)*	(599)	(1,058)	(1,790)	(796)
Recognised in other comprehensive income	(5)	(17)	(118)	70
Payment of withholding tax	1,500	—	—	—
At the end of the year/period	397	(678)	(2,586)	(3,312)

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets recognised in the consolidated statements of financial position	1,785	2,136	1,686	1,287
Deferred tax liabilities recognised in the consolidated statements of financial position	(1,388)	(2,814)	(4,272)	(4,599)
Net deferred tax assets/(liabilities)	397	(678)	(2,586)	(3,312)

Deferred tax assets

	Provision and accruals	Net movement in fair value of financial assets	Provision of allowance on receivables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	789	412	52	1,253
Recognised in profit or loss	547	(27)	17	537
Charged to other comprehensive income	—	(5)	—	(5)
At 31 December 2018 and 1 January 2019	1,336	380	69	1,785
Recognised in profit or loss	389	(41)	20	368
Charged to other comprehensive income	—	(17)	—	(17)
At 31 December 2019 and 1 January 2020	1,725	322	89	2,136
Recognised in profit or loss	(288)	(27)	(17)	(332)
Charged to other comprehensive income	—	(118)	—	(118)
At 31 December 2020 and 1 January 2021	1,437	177	72	1,686
Recognised in profit or loss	(433)	3	(39)	(469)
Credited to other comprehensive income	—	70	—	70
At 30 April 2021	1,004	250	33	1,287

Deferred tax liabilities

	Withholding tax on undistributed profits from the PRC subsidiary
	RMB'000
At 1 January 2018	(1,752)
Payment of withholding tax	1,500
Recognised in profit or loss	(1,136)
At 31 December 2018 and 1 January 2019	(1,388)
Recognised in profit or loss	(1,426)
At 31 December 2019 and 1 January 2020	(2,814)
Recognised in profit or loss	(1,458)
At 31 December 2020 and 1 January 2021	(4,272)
Recognised in profit or loss	(327)
At 30 April 2021	(4,599)

Pursuant to the EIT Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in the PRC in respect of earnings generated from 1 January 2008. As at 31 December 2018, 2019 and 2020 and 30 April 2021, deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiary amounting to approximately RMB21,140,000, RMB31,645,000, RMB48,871,000 and RMB53,778,000, respectively.

27 SHARE CAPITAL

The Group

For the purpose of the presentation of the Historical Financial Information, the balance of share capital of the Group at 1 January 2018 and 31 December 2018 represented the aggregate of paid-up capital of companies comprising the Group after elimination of inter-company investments prior to the completion of the Reorganisation.

With the completion of the Reorganisation on 22 July 2019, the Company became the holding company of the Group and the share capital as at 31 December 2019 and 2020 and 30 April 2021 represents the issued share capital of the Company comprising 300 ordinary shares of HK$0.01 each.

The Company

There was no authorised and issued capital as at 31 December 2018 since the Company has not yet been incorporated.

The Company was incorporated in the Cayman Islands on 21 May 2019 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. On the date of incorporation, 1 ordinary share was issued at par value to the initial subscriber, which was subsequently transferred to Beautiful Homeland on the same date. In addition, the Company issued 99 ordinary shares on 11 June 2019 at HK$0.01 each at par value to Beautiful Homeland.

On 22 July 2019, through a share swap agreement, our Company acquired, through Happy Hours, 350,000 shares, 50,000 shares, 50,000 shares and 50,000 shares in Grand Resources, representing 70%, 10%, 10% and 10% of all of the issued shares in Grand Resources, from Mr. Zhu Boming, Mr. Fang Gaisheng, Mr. Zhang Wenzhi and Mr. Mao Chungen, respectively, in consideration of and in exchange for the allotment and issue of 100 shares to Beautiful Homeland credited as fully paid.

On 22 July 2019, through a share swap agreement, our Company acquired, through Roses All the Way, 10,000 shares in BHP Housewares, representing all of the issued shares in BHP Housewares, from Ms. Lou Zhequn (as trustee of Mr. Zhu Boming, Mr. Fang Gaisheng, Mr. Zhang Wenzhi and Mr. Mao Chungen), in consideration of and in exchange for the allotment and issue of 100 shares to Beautiful Homeland credited as fully paid.

28 RESERVES

(a) The Company

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the Company did not have any amount of reserves available for distribution to the equity holders of the Company.

	Accumulated losses	Total
	RMB'000	*RMB'000*
As at 21 May 2019 (date of incorporation)	—	—
Loss for the period	(6,053)	(6,053)
As at 31 December 2019 and 1 January 2020	(6,053)	(6,053)
Loss for the year	(7,427)	(7,427)
As at 31 December 2020 and 1 January 2021	(13,480)	(13,480)
Loss for the period	(798)	(798)
As at 30 April 2021	(14,278)	(14,278)

(b) The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

Statutory reserve

In accordance with the Company Law of the PRC, each of the company that was registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with the PRC accounting standards to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

Fair value reserve (non-recycling)

Fair value reserve represents the cumulative net change in the fair value of financial assets at FVOCI held at each reporting date and is dealt with in accordance with the accounting policy set out in note 2.8.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.5.

Capital reserve

Combined paid-up capital of the subsidiaries now comprising the Group after elimination of inter-company investments are transferred to capital reserve upon the completion of the Reorganisation.

29 COMMITMENTS

(a) Lease commitments

As at each reporting date, the Group has lease commitments for short-term leases as follows:

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	90	107	429	263

(b) Capital commitments

As at each reporting date, the Group has capital commitments as follows:

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for				
Acquisition of property, plant and equipment	153	—	733	1,641

30 MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2019, dividends amounted to RMB31,500,000 were declared to the then shareholders, which was offset with current accounts with the then shareholders.

(ii) Pursuant to the debt assignment agreements, amounts due from related parties of RMB30,135,000 was offset with the amounts due to related parties during the year ended 31 December 2019.

31 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliations of liabilities arising from financing activities:

	Bank borrowings	Amounts due to related parties	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2018	20,814	24,151	44,965
Changes from financing cash flows:			
Proceeds from bank borrowings	120,520	—	120,520
Repayment of bank borrowings	(118,176)	—	(118,176)
Repayment to related parties	—	(13,764)	(13,764)
Other changes:			
Foreign exchange differences	1,129	2,414	3,543
As at 31 December 2018 and 1 January 2019	24,287	12,801	37,088
Changes from financing cash flows:			
Proceeds from bank borrowings	112,077	—	112,077
Advance from related parties	—	932	932
Repayment of bank borrowings	(110,122)	—	(110,122)
Non-cash transactions			
— Settlement of dividends *(note 30(i))*	—	22,050	22,050
— Assignments of debts *(note 30(ii))*	—	(30,135)	(30,135)
Other changes:			
Foreign exchange differences	423	170	593
As at 31 December 2019 and 1 January 2020	26,665	5,818	32,483
Changes from financing cash flows:			
Proceeds from bank borrowings	70,198	—	70,198
Repayment of bank borrowings	(79,584)	—	(79,584)
Repayment to related parties	—	(5,818)	(5,818)
Other changes:			
Foreign exchange differences	(1,417)	—	(1,417)
As at 31 December 2020 and 1 January 2021	15,862	—	15,862
Changes from financing cash flows:			
Proceeds from bank borrowings	23,891	—	23,891
Repayment of bank borrowings	(21,828)	—	(21,828)
Other changes:			
Foreign exchange differences	(149)	—	(149)
As at 30 April 2021	17,776	—	17,776

32 MATERIAL RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties:

Name of related parties	Relationship
Mr. Zhu Boming	An executive director and a Controlling Shareholder of the Company
Mr. Fang Gaisheng	An executive director and a Controlling Shareholder of the Company
Mr. Mao Chungen	An executive director and a Controlling Shareholder of the Company
Ms. Zhu Yi	A non-executive director of the Company and daughter of Mr. Zhu Boming
Mr. Zhang Wenzhi	A Controlling Shareholder of the Company
BHP Huzhou	A company controlled by the Controlling Shareholders of the Company
Home Laundry	A joint venture

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees as disclosed in note 10, is as follows:

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and benefits	1,368	1,461	1,409	473	608
Contributions to retirement benefit schemes	115	123	90	53	50
	1,483	1,584	1,499	526	658

(b) Transactions with related parties

Name of related party	Nature of transaction	Year ended 31 December			Four months ended 30 April	
		2018	2019	2020	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
BHP Huzhou	Purchases of sundry supplies *(note)*	—	1,510	—	—	—
	Rental income	6	3	—	—	—
Home Laundry	Sales of goods	207	—	—	—	—

Note: The balance of sundry supplies mainly represents one-off purchase of food and beverages and miscellaneous office supplies during the year ended 31 December 2019.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk and equity price risk.

The Group's overall financial risk management policies focuses on the unpredictability and volatility at financial markets and seeks to minimise potential adverse effects on the financial position, financial performance and cash flows of the Group.

33.1 Categories of financial assets and liabilities

	The Company			The Group			
	As at 31 December		As at 30 April	As at 31 December			As at 30 April
	2019	2020	2021	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets							
Financial assets measured at amortised cost:							
Trade and other receivables	—	—	—	69,755	63,500	81,458	81,514
Amounts due from related parties	—	—	—	38,789	149	50	50
Pledged bank deposits	—	—	—	23,641	21,036	19,542	19,830
Cash and cash equivalents	—	3	3	23,601	23,649	69,655	68,886
	—	3	3	155,786	108,334	170,705	170,280
Financial assets at FVOCI (non-recycling):							
— Unlisted equity investment at fair value	—	—	—	1,578	1,643	2,114	1,835
Financial assets at FVTPL:							
— Units in investment funds	—	—	—	4,412	—	—	—
— Unlisted wealth management products	—	—	—	15,303	24,820	6,211	6,224
— Derivative financial instruments	—	—	—	4	1,053	1,576	809
	—	—	—	19,719	25,873	7,787	7,033
	—	3	3	177,083	135,850	180,606	179,148

	The Company			The Group			
			As at				As at
	As at 31 December		30 April	As at 31 December			30 April
	2019	2020	2021	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities							
Financial liabilities measured at amortised cost:							
Trade and other payables	1,726	960	2,527	104,214	97,980	117,942	109,048
Bank borrowings	—	—	—	24,287	26,665	15,862	17,776
Amounts due to subsidiaries	6,528	15,824	15,426	—	—	—	—
Amounts due to related parties	—	—	—	12,801	5,818	—	—
	8,254	16,784	17,953	141,302	130,463	133,804	126,824

33.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk primarily arise from its overseas sales, bank balances, pledged bank deposits and bank borrowings which are primarily denominated in US$, of which US$ is not the functional currency of the group entities to which these transactions relate.

As at each reporting date, US$ denominated financial assets and liabilities translated into RMB at the respective closing rates, were as follows:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	66,339	50,222	69,430	66,916
Cash and cash equivalents	7,227	13,247	50,580	53,981
Pledged bank deposits	6,932	6,348	1,116	1,649
Bank borrowings	(24,287)	(26,665)	(15,862)	(17,776)
Net exposure arising from recognised assets and liabilities	56,211	43,152	105,264	104,770

The following table illustrates the sensitivity of the Group's profit after income tax for the year/period and retained profits in regards to an appreciation in the Group entities' functional currencies against US$. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease in profit for the year/period	Decrease in retained profits
		RMB'000	*RMB'000*
Year ended 31 December 2018	5%	2,108	2,108
Year ended 31 December 2019	5%	1,618	1,618
Year ended 31 December 2020	5%	3,947	3,947
Four months ended 30 April 2021	5%	3,929	3,929

The same % depreciation in the Group entities' functional currencies against US$ would have the same magnitude on the Group's profit after income tax for the Track Record Period and retained profits but of opposite effect.

As at 31 December 2018, 2019 and 2020 and 30 April 2021, net exposure arising from EUR denominated financial assets is minimal.

The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitor the scale of foreign currency transactions, foreign currency assets and liabilities.

33.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits (details of which are set out in note 21). However, since these pledged bank deposits and bank borrowings will mature within one year, the directors of the Company consider the fair value interest risk is insignificant to the Group.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings (details of which are set out in notes 21 and 25 respectively). The Group's cash flow interest rate risk is mainly concentrated on fluctuation of the interest rates on bank balances and the LIBOR arising from the Group's bank borrowings. The

Group does not have an interest rate hedging policy. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table details the interest rate profile of the Group's interest-bearing financial assets and liabilities at each reporting date.

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial instruments with floating rate				
Financial assets	26,997	23,618	70,854	73,034
Financial liabilities	(24,287)	(26,665)	(15,862)	(17,776)
	2,710	(3,047)	54,992	55,258
Financial instruments with fixed rate				
Financial assets	20,172	21,539	18,327	15,626

The following table of sensitivity analysis has been determined based on the exposure to floating interest rate for financial instruments as at 31 December 2018, 2019 and 2020 and 30 April 2021 and assumed that floating the amounts of financial assets and liabilities outstanding as at 31 December 2018, 2019 and 2020 and 30 April 2021 were outstanding for the whole year/period.

	Interest rate	Increase/(Decrease) in profit for the year/period	Increase/(Decrease) in retained profits
		RMB'000	*RMB'000*
Year ended 31 December 2018	Increase of 100 basis point	20	20
Year ended 31 December 2019	Increase of 100 basis point	(23)	(23)
Year ended 31 December 2020	Increase of 100 basis point	412	412
Four months ended 30 April 2021	Increase of 100 basis point	414	414

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate. The calculations are based on a change in average market interest rates for each of Track Record Period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The analysis is performed on the same basis during the Track Record Period.

33.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's maximum exposure to credit risk is limited to the carrying amounts of the financial assets at each reporting date as detailed in note 33.1.

Trade receivables

The Group usually grants a credit period of 0 to 100 days to its customers. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed periodically.

To measure the ECL, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime ECL to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the debtors with similar credit risk characteristics and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in which the debtors operate, which reflect the general economic conditions of the industry) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at each reporting date.

As the Group's historical ECL experience does not indicate significantly different loss patterns for different customer segments, the ECL based on past due status is not further distinguished between the Group's different customer bases.

As at 31 December 2018, 2019 and 2020 and 30 April 2021, 71%, 85%, 90% and 70% of the total gross carrying amount of trade receivables was due from the Group's five largest customers respectively.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

On the above basis, the ECL for trade receivables as at 31 December 2018, 2019 and 2020 and 30 April 2021 was determined as follows:

	Expected loss rate	Gross carrying amount	ECL allowance	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2018				
Neither past due nor impaired	0.35%	48,363	168	48,195
Less than 90 days past due	0.37%	13,775	50	13,725
Over 90 days past due	1.10%	5,182	57	5,125
		67,320	275	67,045
As at 31 December 2019				
Neither past due nor impaired	0.58%	55,870	323	55,547
Less than 90 days past due	0.63%	5,128	32	5,096
Over 90 days past due	2.26%	51	1	50
		61,049	356	60,693
As at 31 December 2020				
Neither past due nor impaired	0.37%	73,630	271	73,359
Less than 90 days past due	0.39%	6,136	24	6,112
Over 90 days past due	11.28%	16	2	14
		79,782	297	79,485
As at 30 April 2021				
Neither past due nor impaired	0.18%	62,682	110	62,572
Less than 90 days past due	0.32%	16,997	54	16,943
Over 90 days past due	5.44%	189	10	179
		79,868	174	79,694

The movement in the allowance for ECL of trade receivables is as follows:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	211	275	356	297
Provision/(Reversal of provision) for ECL allowance on trade receivables	64	81	(59)	(123)
At the end of the year/period	275	356	297	174

Other financial assets measured at amortised cost

Other financial assets measured at amortised cost include other receivables (excluding prepayments, prepaid listing expenses and value-added tax recoverable), cash and cash equivalents, pledged bank deposits and amounts due from related parties. In order to minimise the credit risk, the management of the Group would make periodic collective and individual assessment on the recoverability of other receivables (excluding prepayments, prepaid listing expenses and value-added tax recoverable) and amounts due from related parties based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables (excluding prepayments, prepaid listing expenses and value-added tax recoverable) and amounts due from related parties are considered to be low.

The Group has assessed that the ECL for other receivables (excluding prepayments, prepaid listing expenses and value-added tax recoverable) and amounts due from related parties are minimal under the 12-month ECL method as there is no significant increase in credit risk on these financial assets since initial recognition and the risk of default is low during the Track Record Period.

For cash and cash equivalents and pledged bank deposits, the Group has assessed that they were placed at banks with high-credit ratings assigned by international credit-rating agencies. The risk of default is low based on market information and the Group considers the credit risk to be insignificant.

33.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of its trade and other payables, bank borrowings, amounts due to related parties, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Group's and the Company's remaining contractual maturities for its non-derivative financial liabilities as at 31 December 2018, 2019 and 2020 and 30 April 2021. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

The Group

	Within 1 year or on demand	Total undiscounted amount	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2018			
Non-derivative financial liabilities			
Trade and other payables	104,214	104,214	104,214
Bank borrowings	24,439	24,439	24,287
Amounts due to related parties	12,801	12,801	12,801
	141,454	141,454	141,302

	Within 1 year or on demand	Total undiscounted amount	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2019			
Non-derivative financial liabilities			
Trade and other payables	97,980	97,980	97,980
Bank borrowings	26,720	26,720	26,665
Amounts due to related parties	5,818	5,818	5,818
	130,518	130,518	130,463

	Within 1 year or on demand	Total undiscounted amount	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2020			
Non-derivative financial liabilities			
Trade and other payables	117,942	117,942	117,942
Bank borrowings	15,878	15,878	15,862
	133,820	133,820	133,804

	Within 1 year or on demand	Total undiscounted amount	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
As at 30 April 2021			
Non-derivative financial liabilities			
Trade and other payables	109,048	109,048	109,048
Bank borrowings	17,790	17,790	17,776
	126,838	126,838	126,824

The Company

	Within 1 year or on demand	Total undiscounted amount	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2019			
Non-derivative financial liabilities			
Other payables	1,726	1,726	1,726
Amounts due to subsidiaries	6,528	6,528	6,528
	8,254	8,254	8,254

	Within 1 year or on demand	Total undiscounted amount	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2020			
Non-derivative financial liabilities			
Other payables	960	960	960
Amounts due to subsidiaries	15,824	15,824	15,824
	16,784	16,784	16,784

	Within 1 year or on demand	Total undiscounted amount	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
As at 30 April 2021			
Non-derivative financial liabilities			
Other payables	2,527	2,527	2,527
Amounts due to subsidiaries	15,426	15,426	15,426
	17,953	17,953	17,953

33.6 Equity price risk

The Group is exposed to equity price changes arising from units in investment funds measured at FVTPL.

Units in investment funds measured at FVTPL have been chosen based on their long-term growth potential and returns and are monitored regularly for performance against expectations. The Group accounts for units in investment funds with any change in fair value recognised in profit or loss and accumulated in retained profits. With other variable held constant, an increase or decrease of 10% in market value of the Group's units in investment funds measured at FVTPL as at 31 December 2018, 2019 and 2020 and 30 April 2021 would have increased or decreased profit for the year/period and retained profits by RMB441,000, RMBNil, RMBNil and RMBNil respectively.

33.7 Fair value measurements of financial instruments

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, pledged bank deposits, trade and other receivables, trade and other payables, bank borrowings and amounts due from/(to) related parties/subsidiaries.

The carrying amounts of the Group's financial assets and liabilities measured at amortised cost are not materially different from their fair values as at 31 December 2018, 2019 and 2020 and 30 April 2021 due to their short maturities.

(ii) Financial instruments measured at fair value

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety based on the lowest level of input that is significant to the fair value measurement. The financial assets and liabilities measured at fair value on a recurring basis are grouped into the fair value hierarchy as follows:

	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2018			
Financial assets			
Financial assets at FVOCI (non-recycling)			
— Unlisted equity investment	—	1,578	1,578
Financial assets at FVTPL			
— Units in investment funds	4,412	—	4,412
— Unlisted wealth management products	—	15,303	15,303
Derivative financial instruments			
— Foreign exchange forward contracts	4	—	4
Total fair values	4,416	16,881	21,297
As at 31 December 2019			
Financial assets			
Financial assets at FVOCI (non-recycling)			
— Unlisted equity investment	—	1,643	1,643
Financial assets at FVTPL			
— Unlisted wealth management products	—	24,820	24,820
Derivative financial instruments			
— Foreign exchange forward contracts	1,053	—	1,053
Total fair values	1,053	26,463	27,516

	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2020			
Financial assets			
Financial assets at FVOCI (non-recycling)			
— Unlisted equity investment	—	2,114	2,114
Financial assets at FVTPL			
— Unlisted wealth management products	—	6,211	6,211
Derivative financial instruments			
— Foreign exchange forward contracts	1,576	—	1,576
Total fair values	1,576	8,325	9,901
As at 30 April 2021			
Financial assets			
Financial assets at FVOCI (non-recycling)			
— Unlisted equity investment	—	1,835	1,835
Financial assets at FVTPL			
— Unlisted wealth management products	—	6,224	6,224
Derivative financial instruments			
— Foreign exchange forward contracts	809	—	809
Total fair values	809	8,059	8,868

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the Track Record Period.

The methods and valuation techniques used for the purpose of measuring fair values categorised in Levels 2 and 3 are unchanged during the Track Record Period and are described below.

(a) Derivative financial instruments and units in investment funds (Level 2)

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at each reporting date. Normally, the derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated using observable forward exchange rates of the contract. The effects of non-observable inputs are not significant for the derivative financial instruments.

The fair value of units in investment funds are based on quoted market prices for identical financial instruments as at each reporting date.

(b) Unlisted equity investment and unlisted wealth management products (Level 3)

The fair values of the Group's unlisted equity investment and unlisted wealth management products as at 31 December 2018, 2019 and 2020 and 30 April 2021 have been arrived at on the basis of valuation carried out by AVISTA Valuation Advisory Limited, an independent professional qualified valuer.

The information about the fair value of unlisted equity investments and unlisted wealth management products categorised under Level 3 fair value hierarchy are described below:

			Range (weighted average)			
						As at
			As at 31 December			30 April
	Valuation technique	Unobservable input	2018	2019	2020	2021
Unlisted equity investment *(Note (a))*	Market comparable approach	Lack of marketability discount	10%	10%	15%	15%
Unlisted wealth management products *(Note (b))*	Discounted cash flow model	Estimated rate of return	3%-4.4%	3.1%-3.6%	3.1%	3.1%

Notes:

(a) The fair value of unlisted equity investment is determined using the price-to-book ratios of comparable listed companies adjusted for lack of marketability discount. An increase in the discount for lack of marketability would decrease the fair value. As at 31 December 2018, 2019 and 2020 and 30 April 2021, it is estimated that with all other variables held constant, an increase/a decrease in discount of lack of marketability by 1% would decrease/increase the Group's other comprehensive income by RMB17,000, RMB19,000, RMB25,000 and RMB21,000 respectively.

(b) The fair value of unlisted wealth management products is determined using discounted cash flow model with estimated rate of return. An increase in the estimated rate of return would increase the fair value. As at 31 December 2018, 2019 and 2020 and 30 April 2021, it is estimated that with all other variables held constant, an increase/a decrease in estimated return by 1% would increase/decrease the Group's profit or loss by RMB439,000, RMB649,000, RMB175,000 and RMB178,000 respectively.

The reconciliations of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy are as follows:

	Year ended 31 December			Four months ended 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investment				
At the beginning of the year/period	1,555	1,578	1,643	2,114
Fair value gain/(loss) recognised in other comprehensive income	23	65	471	(279)
At the end of the year/period	1,578	1,643	2,114	1,835
Unlisted wealth management products				
At the beginning of the year/period	6,349	15,303	24,820	6,211
Addition	13,400	27,349	—	—
Disposal	(4,725)	(18,349)	(19,231)	—
Fair value gain recognised in profit or loss	279	517	622	13
At the end of the year/period	15,303	24,820	6,211	6,224

There have been no transfers into or out of Level 3 during the Track Record Period.

34 CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to the equity holders by pricing services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as interest bearing borrowings less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to the shareholders, issue new shares and raise new debt financing.

The net debt to equity ratios are as follows:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	24,287	26,665	15,862	17,776
Less: Cash and cash equivalents	(23,601)	(23,649)	(69,655)	(68,886)
Net debt/(cash)	686	3,016	(53,793)	(51,110)
Total equity	152,695	154,919	201,634	213,976
Net debt to equity ratio	0.4%	1.9%	N/A	N/A

35 EVENTS AFTER THE REPORTING DATE

Except as disclosed elsewhere in the Historical Financial Information, the following significant events took place subsequent to 30 April 2021:

(a) The Group's amounts due from/(to) the related parties (note 24) have been settled prior to the listing.

(b) Charges over certain properties held by Mr. Zhu Boming and his spouse and personal guarantees by Mr. Zhu Boming and his spouse (note 25). Such charges and guarantees have been released prior to the Listing.

36 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 April 2021.

The following information does not form part of the Accountants' Report from the Company's reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group as at 30 April 2021 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets of the Group 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 April 2021 or at any future date. The unaudited pro forma statement of adjusted net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group as at 30 April 2021 as set out in the Accountants' Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' Report.

	Audited consolidated net tangible assets of the Group as at 30 April 2021	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets of the Group as at 30 April 2021**	**Unaudited pro forma adjusted net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 5)*
Based on the Offer Price of HK$1.0 per Share	213,976	80,385	294,361	0.59	0.67
Based on the Offer Price of HK$1.2 per Share	213,976	100,120	314,096	0.63	0.72

Notes:

(1) The audited consolidated net tangible assets of the Group as at 30 April 2021 is extracted from the Accountants' Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group as at 30 April 2021 of approximately RMB213,976,000.

(2) The estimated net proceeds from the Global Offering are based on 125,000,000 Shares at the Offer Price of HK$1.0 (being the minimum Offer Price) per Share and HK$1.2 (being the maximum Offer Price) per Share respectively, after deduction of the estimated underwriting fees and commissions and other estimated listing-related expenses payable by the Group (excluding approximately RMB14,841,000 listing expenses that have been charged to the consolidated statements of profit or loss and other comprehensive income during the Track Record Period). The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company under the general mandates granted to the Directors.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 500,000,000 Shares (being the number of ordinary shares expected to be in issue immediately after completion of the Capitalisation Issue and the Global Offering). No account has been taken of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company under the general mandates granted to the Directors.

(4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 April 2021 to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2021.

(5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB1.00 to HK$1.14. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Grant Thornton
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF BETTER HOME GROUP HOLDINGS CO., LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Better Home Group Holdings Co., Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 April 2021, 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 30 October 2021, in connection with the proposed initial public offering of the Company's shares (the "**Global Offering**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page II-2.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's financial position as at 30 April 2021 as if the Global Offering had taken place at 30 April 2021. 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 four months ended 30 April 2021, on which an accountants' 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 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 accountants plan and perform 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 Global Offering at 30 April 2021 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors 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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

30 October 2021

Lin Ching Yee Daniel
Practising Certificate No: P02771

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this prospectus received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 August 2021 of the property interests of the Company.

AVISTA Valuation Advisory
艾 華 迪 評 估 諮 詢

23rd Floor, Siu On Centre, No. 188 Lockhart Road,
Wan Chai, Hong Kong

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info@avaval.com
www.avaval.com

30 October 2021

The Board of Directors
Better Home Group Holdings Co., Limited
No. 378 Guangming Street
Deqing Economic Development Zone
Deqing County, Zhejiang, the PRC

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Better Home Group Holdings Co., Limited (the "**Company**") for us to carry out the valuation of the property interests held by the Company and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 August 2021 (the "**Valuation Date**").

PREMISES OF VALUE

The valuation is our opinion of market value, which is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

VALUATION STANDARDS

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), the RICS Valuation — Global Standards 2020 published by the Royal Institution of Chartered Surveyors ("**RICS**") and the International Valuation Standards published from time to time by the International Valuation Standards Council.

VALUATION METHODOLOGY

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as "**continued uses**").

In valuing the portion of the property interests, due to the nature of the buildings and structures of the property interests, there are no market sales comparables readily available, we have valued a property on the basis of its depreciated replacement cost. Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation". It is based on an estimation of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost of the property interests is subject to adequate potential profitability of the concerned business.

TITLE INVESTIGATION

We have been provided with copies of documents and legal opinion in relation to the title of the property interests in the PRC. However, due to the nature of the current land registration system in the PRC, we cannot cause searches to be made on the title of the property nor have we examined all the original documents to verify ownership and encumbrances or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal advisers — GuangDong Sun Law Firm (廣東國暉律師事務所), concerning the validity of title of the property interests in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. The inspection was carried out by Ms. Sarah Lee (Manager of AVISTA Valuation Advisory Limited) and Mr. Gerrard Zhao (Valuer of AVISTA Valuation Advisory Limited) on 31 May 2019. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverised fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties has an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Vincent C B Pang
MRICS CFA FCPA FCPA Australia
RICS Registered Valuer
Managing Director

Notes: Mr. Vincent C B Pang is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC and Asia Pacific region.

VALUATION CERTIFICATE

Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Company as at 31 August 2021
			RMB
An Industrial Property located at No. 378 Fuxi Jie Dao, Guangming Street, Huzhou City, Zhejiang Province, the PRC	The property comprises 2 parcels of land with a total site area of approximately 55,621.47 sq.m. together with various buildings and structures completed between 2010 and 2019 erected thereon. The property has a total gross floor area of approximately 58,441.03 sq.m. and mainly includes workshops, warehouses and dormitory. The property is situated on the south Guangming Street in Deqing County, with approximately 9 km driving distance to the Deqing Station and with approximately 70 km driving distance to the Hangzhou Xiaoshan International Airport. The land use rights of the property have been granted for a term of expiring on 14 October 2059 and 6 May 2059 for industrial use.	As at the valuation date, the property is occupied by the Group for industrial purpose.	98,432,000 (100% interest attributable to the Company: 98,432,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Zhe (2018) Deqing County Real Estate Title No. 0012570* (浙(2018)德清縣不動產權第0012570號不動產權證) dated 16 July 2018, a parcel of land use rights of the property with a total site area of approximately 15,654.84 sq.m and the buildings with a total gross floor area of approximately 12,785.60 sq.m. have been granted to the Company for industrial use for a term expiring on 14 October 2059.

2. Pursuant to a Real Estate Title Certificate — Zhe (2019) Deqing County Real Estate Title No. 0014222* (浙(2019)德清縣不動產權第0014222號不動產權證) dated 8 August 2019, a parcel of land use rights of the property with a total site area of approximately 39,966.63 sq.m and the buildings with a total gross floor area of approximately 45,655.43 sq.m. have been granted to the Company for industrial use for a term expiring on 6 May 2059.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. the Company has legally obtained the Real Estate Title Certificates of the property and is entitled to legally occupy, use and benefit from the buildings; and

   b. the lands and buildings in note 1 & 2 were pledged.

4. In our valuation, we have made reference to some transaction price references of land comparables in the similar location of the subject property. We have adopted the range of unit rates between RMB350 and RMB450 per sq.m. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 12 October 2021 and states, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites specified in the paragraph headed "1. Documents delivered to the Registrar of Companies in Hong Kong and on display" in Appendix VI to this prospectus.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 12 October 2021 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles is HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Act and the Memorandum of Association and the Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment 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 first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or 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 (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum of Association or the Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Act; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Act.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Act or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date. Where a general meeting is so postponed, the Company shall endeavour to cause a notice of such postponement to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

(a) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of the Company.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and 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 of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall 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 of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. 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.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 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, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company 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 of the Company 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 in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any 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 of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 May 2019 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act 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 premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of Section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, 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.

Subject to the detailed provisions of the Companies Act, 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. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors 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 member of the company holding 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company 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 to act 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.

4 Dividends and Distributions

With the exception of Section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, Section 34 of the Companies Act 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 (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, 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.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) 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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act 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.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand 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 and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 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 require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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.

16 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 Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 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.

19 Taxation

Pursuant to Section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

   (i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking is for a period of twenty years from 30 May 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save 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 not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display as referred to in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and on display" in Appendix VI. 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 of our Company

Our Company was incorporated in the Cayman Islands as an exempted company on 21 May 2019 under the Companies Act. Our Company's registered office is at PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. Our Company has established its principal place of business in Hong Kong at Room 602, 6/F, Golden Gate Commercial Building, 136-138 Austin Road, Tsim Sha Tsui, Hong Kong and has been registered as a non-Hong Kong company on 6 September 2019 under Part 16 of the Companies Ordinance. Mr. Zhu and Ms. Lam Shi Ping have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Act and its constitution which comprises the Memorandum and the Articles. A summary of the relevant provisions of our Company's constitution and certain aspects of the Companies Act is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK$380,000 divided into 38,000,000 Shares with par value of HK$0.01 each. The following sets out the changes in the share capital of our Company since its date of incorporation up to the date of this prospectus:

(a) on 21 May 2019, the date of incorporation, one Share was allotted and issued at par, credited as fully paid to the initial subscriber, which was in turn transferred to Beautiful Homeland on the same day;

(b) On 11 June 2019, 99 Shares were allotted and issued to Beautiful Homeland at par and credited as fully paid;

(c) on 30 July 2019, 200 Shares were allotted and issued to Beautiful Homeland at par and credited as fully paid; and

(d) Pursuant to the written resolutions of our sole Shareholder passed on 12 October 2021, 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 by the creation of an additional 9,962,000,000 Shares.

Assuming that the Global Offering becomes unconditional, immediately following completion of the Global Offering and Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the issued share capital of our Company will be HK$5,000,000 divided into 500,000,000 Shares, all fully paid or credited as fully paid and 9,500,000,000 Shares will remain unissued.

Save for the aforesaid and the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there has been no alteration in the authorised and issued share capital of our Company since its incorporation and up to the date of this prospectus.

3. Written resolutions of our sole Shareholder passed on 12 October 2021

Pursuant to the written resolutions of our sole Shareholder passed on 12 October 2021:

(a) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares to rank *pari passu* in all respects with the existing Shares;

(b) conditional upon and with effect from the Listing, the Memorandum and the Articles were approved and adopted with effect from the Listing Date;

(c) conditional upon the fulfilment or waiver of the conditions set out in "Structure and Conditions of the Global Offering" in this prospectus and subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the new Shares under the Global Offering, our Directors were authorised to allot and issue a total of 374,999,700 Shares credited as fully paid at par to the Shareholders whose names appear on the register of members of our Company at the close of business on 11 November 2021 in proportion to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, by way of capitalisation of an amount of HK$3,749,997 standing to the credit of the share premium account of our Company;

(d) conditional upon the fulfilment or waiver of the conditions set out in "Structure and Conditions of the Global Offering" in this prospectus, the Global Offering and the Over-allotment Option were approved;

(e) a general unconditional mandate (the "**Issuing Mandate**") was given to our Directors authorising them to exercise all powers of our Company to allot (including the power to make and grant offers, agreements and options which would or might require Shares to be allotted and issued), otherwise than pursuant to, or in consequence of a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares with a total number not exceeding 20% of the number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account the number of Shares which may be issued upon the exercise of the Over-allotment Option) whereas such Issuing Mandate is to remain in effect until whichever is the earliest of (a) the conclusion of the next annual general meeting of our Company; (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or (c) the passing of an ordinary resolution by the Shareholders at a general meeting revoking, varying or renewing the Issuing Mandate;

(f) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, Shares with a total number not exceeding 10% of the number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account the number of Shares which may be issued upon the exercise of the Over-allotment Option) whereas such Repurchase Mandate is proposed to remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company; (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or (c) the passing of an ordinary resolution by the Shareholders at a general meeting revoking, varying or renewing such Repurchase Mandate; and

(g) the Issuing Mandate was extended by the addition to the number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to the Issuing Mandate of the number of Shares repurchased by the Company pursuant to and in accordance with the Repurchase Mandate.

4. Corporate Reorganisation

In preparation for the Global Offering, our Group has undertaken the Reorganisation, details of which are set forth in the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus.

5. Changes in the share capital of subsidiaries of our Company

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report and in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, our Company has no other subsidiaries.

Save for the alterations disclosed in the section headed "History, Reorganisation and corporate structure" in this prospectus, there were no other alteration in the authorised or issued share capital of our subsidiaries which took place within two years immediately preceding the date of this prospectus.

6. Particulars of our subsidiaries

Particulars of our subsidiaries are set forth in note 1.1 to the Accountant's Report, the text of which is set forth in Appendix I to this prospectus.

7. Repurchase by our Company of our own securities

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

Subject to certain restrictions, the Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own securities on the Stock Exchange, the most important of which are summarised below.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of a specific approval of a specific transaction, or by way of a general mandate.

The Repurchase Mandate was granted to our Directors by our Shareholder pursuant to a written resolution of our sole Shareholder dated 12 October 2021 authorising them to exercise all powers of our Company to repurchase on the Stock Exchange, Shares with a total number not exceeding 10% of the number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account the number of Shares which may be issued upon the exercise of the Over-allotment Option) whereas such Repurchase

Mandate is proposed to remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company; (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or (c) the passing of an ordinary resolution by the Shareholders at a general meeting revoking, varying or renewing the authority given to our Directors.

(ii) Source of funds

Any repurchases of securities of the Company must be financed out of funds legally available for the purpose in accordance with the Listing Rules, the Articles and the applicable laws and regulations. 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.

(iii) Trading restrictions

Our Company may repurchase up to 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may request. Our Company also shall not purchase our Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

(iv) Status of repurchased shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares will be cancelled and destroyed. Under the Cayman Companies Act, our Company's repurchased Shares shall be treated as cancelled on repurchase and the amount of our Company's issued share capital shall be diminished by the aggregate nominal value of the repurchased Shares (although the authorised share capital of our Company will not be reduced as a result of the repurchase).

(v) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information has been made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year quarterly or any other interim period (whether or not required by the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if our Company has breached the Listing Rules.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including the number of Shares repurchased each month, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid. Our Directors' report shall contain reference to the purchases made during the year and our Directors reasons for making such purchases.

(vii) Core connected persons

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person" which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum, the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account our Company's current working capital position, our Directors consider that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our Company's working capital and/or our Company's gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements 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 500,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised) could accordingly result in up to approximately 50,000,000 Shares being repurchased by our Company during the period prior to:

(i) the conclusion of our next annual general meeting of our Company; or

(ii) the end of the period within which we are required by any applicable law or our Articles to hold our 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, to the best of their knowledge and having made all reasonable enquiries, nor any of their close associates (as defined in the Listing Rules), have any present intention, if the Share Repurchase Mandate is exercised, to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws and regulations.

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 of voting rights for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, 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 the aforesaid, our Directors are not aware of any other consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the Share Repurchase Mandate.

Our Company is prohibited from knowingly purchasing securities on the Stock Exchange from a core connected person and such person is prohibited from knowingly selling his/her securities to our Company.

No core connected persons of our Company have notified us of intention to sell securities to our Company and such persons have undertaken not to sell any such securities to our Company, if the Share Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Company or any of the members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) a deed of indemnity dated 28 October 2021 executed by Zhu Boming (朱伯明), Fang Gaisheng (方改生), Mao Chungen (毛春根), Zhang Wenzhi (張文志) and Beautiful Homeland Holdings Limited in favour of Better Home Group Holdings Co., Limited (貝特集團控股有限公司) (for itself and as trustee for its subsidiaries), particulars of which are set forth in the paragraph headed "D. Other Information — 1. Estate duty, tax and other indemnities" in this Appendix V;

(b) a deed of non-competition dated 28 October 2021 executed by Zhu Boming (朱伯明), Fang Gaisheng (方改生), Mao Chungen (毛春根), Zhang Wenzhi (張文志) and Beautiful Homeland Holdings Limited in favour of Better Home Group Holdings Co., Limited (貝特集團控股有限公司) (for itself and as trustee for its subsidiaries), particulars of which are set forth in the paragraph headed "Relationship with our Controlling Shareholders — Non-Competition Undertaking" in this prospectus; and

(c) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

(i) As at the Latest Practicable Date, we had the following registered trademarks which are material to our business:

No.	Trademark	Class	Place of registration	Trademark number/ Registration number	Registrant/ Trademark owner	Date of registration	Expiry Date
1.	GentleGrip	21	UK	UK00002402944	BHP UK	17 March 2006	1 October 2025
2.	RotaSpin	6, 20	UK	UK00002402943	BHP UK	14 April 2006	1 October 2025
3.	SuperSpin	6, 20	UK	UK00002402945	BHP UK	14 April 2006	1 October 2025
4.	BetterDry	21	Australia	1437273	BHP Zhejiang	2 May 2013	18 July 2031
5.	Betterhome	21	PRC	9671073	BHP Zhejiang	7 August 2012	6 August 2022
6.	BetterDry	21	PRC	9671074	BHP Zhejiang	7 March 2013	6 March 2023
7.	家悦	21	PRC	10125997	BHP Zhejiang	7 March 2013	6 March 2023
8.	佳悦	21	PRC	10271492	BHP Zhejiang	21 March 2013	20 March 2023
9.	RotoSpin	21	PRC	10054818	BHP Zhejiang	28 March 2013	27 March 2023
10.	Builders EPC	21, 22	UK	UK00003024462	BHP UK	17 January 2014	2 October 2023
11.	Betterhome	21	PRC	11655586	BHP Zhejiang	21 April 2014	20 April 2024

No.	Trademark	Class	Place of registration	Trademark number/ Registration number	Registrant/ Trademark owner	Date of registration	Expiry Date
12.	Better	6, 20, 21, 22	UK	UK00003094940	BHP UK	15 May 2015	18 February 2025
13.	Betterdri	6, 20, 21, 22	UK	UK00003094943	BHP UK	15 May 2015	18 February 2025
14.	Better Dri	6, 20, 21, 22	UK	UK00003094943	BHP UK	15 May 2015	18 February 2025
15.	Betterkleen	21	UK	UK00003094945	BHP UK	15 May 2015	18 February 2025
16.	Better Kleen	21	UK	UK00003094945	BHP UK	15 May 2015	18 February 2025
17.	Betterwipe	21	UK	UK00003094946	BHP UK	15 May 2015	18 February 2025
18.	Better Wipe	21	UK	UK00003094946	BHP UK	15 May 2015	18 February 2025
19.	Betterprep	21	UK	UK00003101124	BHP UK	26 June 2015	26 March 2025
20.	Better Prep	21	UK	UK00003101124	BHP UK	26 June 2015	26 March 2025
21.	曼厨	8	PRC	16804806	BHP Zhejiang	14 June 2016	13 June 2026
22.	曼厨	21	PRC	16804685	BHP Zhejiang	14 June 2016	13 June 2026
23.	VENTO	6, 20, 21, 22	UK	UK00003173613	BHP UK	21 October 2016	8 July 2026
24.		21	PRC	18781646	BHP Zhejiang	7 February 2017	6 February 2027
25.	MCOOK	21	PRC	16932422	BHP Zhejiang	14 April 2017	13 April 2027
26.	家吉宝 JIAJIBAO	21	PRC	19270823	BHP Zhejiang	21 April 2017	20 April 2027
27.	贝特	21	PRC	18781644	BHP Zhejiang	7 June 2017	6 June 2027
28.	曼厨	8	PRC	20192357	BHP Zhejiang	21 July 2017	20 July 2027

No.	Trademark	Class	Place of registration	Trademark number/ Registration number	Registrant/ Trademark owner	Date of registration	Expiry Date
29.	曼厨	21	PRC	20192368	BHP Zhejiang	21 July 2017	20 July 2027
30.	Drynatural	21	US	5435152	BHP Zhejiang	27 March 2018	26 March 2028
31.	Laundry Master	21, 22	UK	UK00003300239	BHP UK	29 June 2018	28 March 2028
32.	LaundryMaster	21, 22	UK	UK00003300239	BHP UK	29 June 2018	28 March 2028
33.	Laundrymaster	21, 22	UK	UK00003300239	BHP UK	29 June 2018	28 March 2028
34.		21	PRC	26216149	BHP Zhejiang	28 September 2018	27 September 2028
35.		8	PRC	26209699	BHP Zhejiang	28 September 2018	27 September 2028
36.	Whirligig	21, 22	UK	UK00003337296	BHP UK	30 November 2018	10 September 2028
37.	Whirli Gig	21, 22	UK	UK00003337296	BHP UK	30 November 2018	10 September 2028
38.	JIAJIBAO 家吉宝	8	PRC	28869785	BHP Zhejiang	14 December 2018	13 December 2028
39.	JIAJIBAO 家吉宝	10	PRC	28865538	BHP Zhejiang	14 December 2018	13 December 2028
40.	JIAJIBAO 家吉宝	21	PRC	28862852	BHP Zhejiang	14 December 2018	13 December 2028
41.	Dry Natural	21, 22	UK	UK00003345109	BHP UK	1 February 2019	12 October 2028
42.	DryNatural	21, 22	UK	UK00003345109	BHP UK	1 February 2019	12 October 2028
43.		8, 21	Hong Kong	304907971	BHP Zhejiang	29 April 2019	28 April 2029
44.	Better	8, 21	Hong Kong	304907980	BHP Zhejiang	29 April 2019	28 April 2029
45.	BHP	21	PRC	6520540	BHP Zhejiang	28 March 2020	27 March 2030

No.	Trademark	Class	Place of registration	Trademark number/ Registration number	Registrant/ Trademark owner	Date of registration	Expiry Date
46.	Pop Up	21	UK	UK00003441569	BHP UK	8 August 2020	4 November 2029
47.	Pop-Up	21	UK	UK00003441569	BHP UK	8 August 2020	4 November 2029
48.	PopUp	21	UK	UK00003441569	BHP UK	8 August 2020	4 November 2029
49.	RotaBrella	21, 22	UK	UK00003497406	BHP UK	9 October 2020	5 June 2030
50.	Rota Brella	21, 22	UK	UK00003497406	BHP UK	9 October 2020	5 June 2030
51.	Rota-Brella	21, 22	UK	UK00003497406	BHP UK	9 October 2020	5 June 2030
52.	Rotabrella	21, 22	UK	UK00003497406	BHP UK	9 October 2020	5 June 2030
53.	RotoSpin	21	UK	UK00003563250	BHP UK	11 June 2021	2 December 2030

(ii) As at the Latest Practicable Date, we applied for the registration of the following trademark which is material to our business:

No.	Trademark	Class	Place of registration	Application number	Applicant	Date of application
1.	Drynatural	21	PRC	59090360	BHP Zhejiang	8 September 2021

(b) Patents

(i) As at the Latest Practicable Date, we had the following registered patents which are material to our business:

No.	Place of registration	Title of patent	Registered owner	Registration number	Patent type	Date of registration	Expiry date
1.	PRC	One kind of suction cup type dryer rack* (一種吸盤式晾衣架)	BHP Zhejiang	ZL201220554790.4	Utility model patent	26 October 2012	25 October 2022

No.	Place of registration	Title of patent	Registered owner	Registration number	Patent type	Date of registration	Expiry date
2.	PRC	One kind of arm tube mechanism of drying rack* (一種晾衣架的臂管機構)	BHP Zhejiang	ZL201320024715.1	Utility model patent	17 January 2013	16 January 2023
3.	PRC	One kind of button mechanism of drying rack* (一種晾衣架的按鈕機構)	BHP Zhejiang	ZL201320044999.0	Utility model patent	28 January 2013	27 January 2023
4.	PRC	One kind of foldable drying rack* (一種折疊式晾衣架)	BHP Zhejiang	ZL201320371459.3	Utility model patent	26 June 2013	25 June 2023
5.	PRC	One kind of locking mechanism of tower lifting drying rack* (一種塔式升降晾衣架的鎖緊機構)	BHP Zhejiang	ZL201420042656.5	Utility model patent	23 January 2014	22 January 2024
6.	PRC	One kind of tower lifting drying rack* (一種塔式升降晾衣架)	BHP Zhejiang	ZL201410031497.3	Innovation patent	23 January 2014	22 January 2034
7.	PRC	One kind of knob mechanism of drying rack* (一種晾衣架的旋鈕機構)	BHP Zhejiang	ZL201410031499.2	Innovation patent	23 January 2014	22 January 2034
8.	PRC	One kind of knob opening and closing drying rack* (一種旋鈕開合晾衣架)	BHP Zhejiang	ZL201410031078.X	Innovation patent	23 January 2014	22 January 2034
9.	PRC	Drying rack (Type A)* (晾衣架(A型))	BHP Zhejiang	ZL201530128387.4	Design patent	5 May 2015	4 May 2025
10.	PRC	Drying rack (LYJ184)* (晾衣架(LYJ184))	BHP Zhejiang	ZL201530128419.0	Design patent	5 May 2015	4 May 2025
11.	PRC	One kind of foldable type A drying rack* (一種可對折A型晾衣架)	BHP Zhejiang	ZL201520283184.7	Utility model patent	5 May 2015	4 May 2025
12.	PRC	One kind of type A drying rack* (一種A型晾衣架)	BHP Zhejiang	ZL201520283232.2	Utility model patent	5 May 2015	4 May 2025
13.	PRC	One kind of foldable heating drying rack* (一種可折疊加熱式晾衣架)	BHP Zhejiang	ZL201520286734.0	Utility model patent	6 May 2015	5 May 2025

No.	Place of registration	Title of patent	Registered owner	Registration number	Patent type	Date of registration	Expiry date
14.	PRC	One kind of snap type foldable drying rack* (一種卡扣式折疊晾衣架)	BHP Zhejiang	ZL201520286803.8	Utility model patent	6 May 2015	5 May 2025
15.	PRC	One kind of corner connector* (一種枴角連接件)	BHP Zhejiang	ZL201520286899.8	Utility model patent	6 May 2015	5 May 2025
16.	PRC	One kind of wall-mounted drying rack* (一種壁掛式晾衣架)	BHP Zhejiang	ZL201510225839.X	Innovation patent	6 May 2015	5 May 2035
17.	PRC	One kind of foldable drying rack that can be extended around* (一種可四周延伸的折疊晾衣架)	BHP Zhejiang	ZL201520310044.4	Utility model patent	14 May 2015	13 May 2025
18.	Australia	Wall-mounted laundry rack	BHP Zhejiang	2015101056	Innovation patent	27 August 2015	5 August 2023
19.	Germany	Clothes rack	BHP Zhejiang	002850263-0001	Community design patent	6 November 2015	6 November 2025
20.	PRC	Integrated pull-on drying rack* (整體式對拉晾衣架)	BHP Zhejiang	ZL201720620185.5	Utility model patent	31 May 2017	30 May 2027
21.	PRC	Manual food shredder that can quickly convert the amount of stirring force* (可快速轉換攪切力大小的手動食品攪碎機)	BHP Zhejiang	ZL201721033897.3	Utility model patent	18 August 2017	17 August 2027
22.	PRC	One kind of pull-on drying rack* (一種對拉晾衣架)	BHP Zhejiang	ZL201710719004.9	Innovation patent	21 August 2017	20 August 2037
23.	PRC	Drying rack body mechanism* (晾衣架的架體機構)	BHP Zhejiang	ZL201710719005.3	Innovation patent	21 August 2017	20 August 2037
24.	PRC	Drying rack (LYJ173)* (晾衣架 (LYJ173))	BHP Zhejiang	ZL201730508524.6	Design patent	24 October 2017	23 October 2027
25.	PRC	Drying rack (LYJ198)* (晾衣架 (LYJ198))	BHP Zhejiang	ZL201730508511.9	Design patent	24 October 2017	23 October 2027
26.	PRC	Drying rack (LYJ202)* (晾衣架 (LYJ202))	BHP Zhejiang	ZL201730508480.7	Design patent	24 October 2017	23 October 2027

No.	Place of registration	Title of patent	Registered owner	Registration number	Patent type	Date of registration	Expiry date
27.	PRC	Drying rack (LYJ166)* (晾衣架 (LYJ166))	BHP Zhejiang	ZL201730508272.7	Design patent	24 October 2017	23 October 2027
28.	PRC	Drying rack (LYJ-NEW)* (晾衣架 (LYJ-NEW))	BHP Zhejiang	ZL201730508261.9	Design patent	24 October 2017	23 October 2027
29.	PRC	One kind of folding drying rack lock rope structure* (一種折疊晾衣架鎖繩結構)	BHP Zhejiang	ZL201711016531.X	Innovation patent	25 October 2017	24 October 2037
30.	PRC	One kind of folding drying rack lock rope structure* (一種折疊晾衣架鎖繩結構)	BHP Zhejiang	ZL201721393866.9	Utility model patent	25 October 2017	24 October 2027
31.	PRC	One kind of clothes drying device* (一種晾衣裝置)	BHP Zhejiang	ZL201721386802.6	Utility model patent	25 October 2017	24 October 2027
32.	PRC	One kind of floor-mounted folding drying rack* (一種落地式折疊晾衣架)	BHP Zhejiang	ZL201820062298.2	Utility model patent	15 January 2018	14 January 2028
33.	EU	Drying rack (LYQ120C)* (晾衣架 (LYQ120C))	BHP Zhejiang	004920502-0001	Design patent	22 March 2018	22 March 2023
34.	PRC	One kind of turn-to-turn clothes dryer* (一種對翻式晾衣器)	BHP Zhejiang	ZL201820393874.1	Utility model patent	22 March 2018	21 March 2028
35.	Germany	Clothes hanger	BHP Zhejiang	004920502-0001	Community design patent	22 March 2018	22 March 2023
36.	PRC	One kind of single rope knob clothes dryer* (一種單繩旋鈕晾衣器)	BHP Zhejiang	ZL201820393875.6	Utility model patent	22 March 2018	21 March 2028
37.	PRC	Drying rack (LYQ120C)* (晾衣器 (LYQ120C))	BHP Zhejiang	ZL201830107507.6	Design patent	22 March 2018	21 March 2028
38.	PRC	Drying rack (LYJ203)* (晾衣器 (LYJ203))	BHP Zhejiang	ZL201830111124.6	Design patent	23 March 2018	22 March 2028
39.	PRC	Drying rack (LYJ160G)* (晾衣器 (LYJ160G))	BHP Zhejiang	ZL201830519921.8	Design patent	14 September 2018	13 September 2028

No.	Place of registration	Title of patent	Registered owner	Registration number	Patent type	Date of registration	Expiry date
40.	PRC	One kind of drying rack* (一種晾衣架)	BHP Zhejiang	ZL201821508028.6	Utility model patent	14 September 2018	13 September 2028
41.	New Zealand	Clothes hanger	BHP Zhejiang	425538	Design patent	14 September 2018	13 September 2023
42.	Australia	Drying rack	BHP Zhejiang	2018102047	Innovation patent	3 January 2019	11 December 2026
43.	Australia	Clothes hanger	BHP Zhejiang	201817673	Design patent	25 January 2019	19 December 2023
44.	PRC	Portable clothes dryer* (手提式晾衣器)	BHP Zhejiang	ZL201930375366.0	Design patent	15 July 2019	14 July 2029
45.	PRC	One kind of portable clothes dryer* (一種手提式晾衣器)	BHP Zhejiang	ZL201921102472.2	Utility model patent	15 July 2019	14 July 2029
46.	PRC	One kind of sealed container with quick-press lock* (一種具有按壓快鎖的密封容器)	BHP Zhejiang	ZL201921330628.2	Utility model patent	16 August 2019	15 August 2029
47.	Australia	Hand-held clothes airing device	BHP Zhejiang	2019100955	Innovation patent	18 September 2019	26 August 2027
48.	PRC	One kind of folding drying rack* (一種折疊晾衣架)	BHP Zhejiang	ZL202020704617.2	Utility model patent	30 April 2020	29 April 2030
49.	PRC	One kind of multi arms clothes dryer* (一種多臂晾衣器)	BHP Zhejiang	ZL202020863744.7	Utility model patent	21 May 2020	20 May 2030
50.	PRC	One kind of locking mod rod* (一種鎖緊式拖把杆)	BHP Zhejiang	ZL202020936907.X	Utility model patent	28 May 2020	27 May 2030
51.	EU	A collapsible airer for clothes	BHP Zhejiang	EP2905372	Patent	12 June 2020	31 December 2021
52.	Australia	Tower lifting clothes drying rack	BHP Zhejiang	2020101255	Innovation patent	29 July 2020	4 July 2028
53.	PRC	One kind of improved folding drying rack* (一種改進的折疊晾衣架)	BHP Zhejiang	ZL202021782232.4	Utility model patent	24 August 2020	23 August 2030
54.	UK	A collapsible airer for clothes	BHP Zhejiang	GB2522489	Invention patent	2 September 2020	1 September 2040
55.	PRC	Drying rack (LYQ302) (晾衣器 (LYQ302))	BHP Zhejiang	ZL202130088377.8	Design patent	6 February 2021	5 February 2031
56.	PRC	One kind of tower lifting drying rack* (一種塔式升降晾衣架)	BHP Zhejiang	ZL202020934936.2	Utility model patent	1 March 2021	28 February 2031

No.	Place of registration	Title of patent	Registered owner	Registration number	Patent type	Date of registration	Expiry date
57.	PRC	Clothes hanger (LYJ215)* (衣架LYJ215))	BHP Zhejiang	ZL202130416406.9	Design patent	2 July 2021	1 July 2031
58.	PRC	Clothes hanger (LYJ216)* (衣架LYJ216))	BHP Zhejiang	ZL202130416404.X	Design patent	2 July 2021	1 July 2031
59.	PRC	Clothes hanger (LYJ217)* (衣架LYJ217))	BHP Zhejiang	ZL202130416401.6	Design patent	2 July 2021	1 July 2031
60.	PRC	Clothes hanger (LYJ219)* (衣架LYJ219))	BHP Zhejiang	ZL202130416484.9	Design patent	2 July 2021	1 July 2031
61.	PRC	Clothes hanger (LYJ220)* (衣架LYJ220))	BHP Zhejiang	ZL202130416488.7	Design patent	2 July 2021	1 July 2031

(ii) As at the Latest Practicable Date, we applied for the registration of the following patents which are material to our business:

No.	Place of registration	Title of patent	Applicant	Application number	Patent type	Date of application
1.	PRC	Manual food shredder that can quickly convert the amount of stirring force* (可快速轉換攪切力大小的手動食品攪碎機)	BHP Zhejiang	ZL201710709311.9	Innovation patent	18 August 2017
2.	PRC	One kind of drying rack* (一種晾衣架)	BHP Zhejiang	ZL201811075673.8	Innovation patent	14 September 2018
3.	PRC	One kind of portable clothes dryer* (一種手提式晾衣器)	BHP Zhejiang	ZL201910636432.4	Innovation patent	15 July 2019
4.	PRC	One kind of sealed container with quick-press lock* (一種具有按壓快鎖的密封容器)	BHP Zhejiang	ZL201910757238.1	Innovation patent	16 August 2019
5.	PRC	One kind of folding drying rack* (一種折疊晾衣架)	BHP Zhejiang	ZL202010363366.0	Innovation patent	30 April 2020

No.	Place of registration	Title of patent	Applicant	Application number	Patent type	Date of application
6.	PRC	One kind of locking mod rod* (一種鎖緊式拖把杆)	BHP Zhejiang	ZL202010470534.6	Innovation patent	28 May 2020
7.	N/A	One kind of locking mod rod* (一種鎖緊式拖把杆)	BHP Zhejiang	CN2020096037	Patent cooperation treaty	15 June 2020
8.	N/A	One kind of tower lifting drying rack* (一種塔式升降晾衣器)	BHP Zhejiang	CN2020096036	Patent cooperation treaty	15 June 2020
9.	PRC	One kind of clothes dryer on wall* (一種牆上晾衣器)	BHP Zhejiang	ZL202110165525.0	Innovation patent	6 February 2021
10.	PRC	One kind of clothes dryer on wall* (一種牆上晾衣器)	BHP Zhejiang	ZL202120338084.5	Utility model patent	6 February 2021
11.	PRC	One kind of adjustable lifting type opening and closing drying rack* (一種可調節升降式開合晾衣器)	BHP Zhejiang	ZL202120919221.4	Utility model patent	30 April 2021
12.	PRC	One kind of adjustable lifting type opening and closing drying rack* (一種可調節升降式開合晾衣器)	BHP Zhejiang	ZL202110477726.4	Innovation patent	30 April 2021
13.	PRC	Clothes hanger (LYJ214)* (衣架(LYJ214))	BHP Zhejiang	ZL202130416498.0	Design patent	2 July 2021
14.	PRC	Electric toothbrush (couples model)* (電動牙刷(情侶款))	BHP Zhejiang	ZL202130653914.9	Design patent	30 September 2021
15.	PRC	Electric toothbrush (high-end model)* (電動牙刷(高端款))	BHP Zhejiang	ZL202130653929.5	Design patent	30 September 2021

(c) Copyrights

As at the Latest Practicable Date, we were the owner of the following copyrights which are material to our business:

No.	Copyrights	Place of registration	Copyrights number/ Registration number	Registrant/ Copyrights owner	Date of registration
1.	Better標識	PRC	國作登字-2016-F-00251915	BHP Zhejiang	9 March 2016
2.	BETTER	PRC	國作登字-2020-F-01080441	BHP Zhejiang	21 August 2020
3.	家吉寶	PRC	國作登字-2020-F-01174351	BHP Zhejiang	17 December 2020
4.	BHP	PRC	國作登字-2020-F-01174352	BHP Zhejiang	17 December 2020
5.	貝特	PRC	國作登字-2020-F-01174353	BHP Zhejiang	17 December 2020

(d) Domain names

As at the Latest Practicable Date, we were the registered proprietor of the following domain names which are material to our business:

No.	Domain name	Registered owner	Date of registration	Expiry date
1.	betterhomechina.com	BHP Zhejiang	3 July 2005	3 July 2024

Save as disclosed herein, there are no other trademarks, patents, copyrights, other intellectual property rights which are or may be material to the business of our Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Interests and/or short positions of our Directors and chief executive in the Shares, underlying Shares and debentures of our Company or its associated corporations

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option), the interests and short positions of each Director and the chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) once the Shares are listed on the Stock Exchange, or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, once the Shares are listed on the Stock Exchange, or which will be required, pursuant to the Model

Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed on the Stock Exchange will be as follows:

(a) Interests and/or short positions in our Company

Name of Director	Nature of interest	Number of Shares held *(Note 1)*	Percentage of Interest in our Company
Mr. Zhu	Interest in controlled corporation *(Note 2)*	375,000,000 (L)	75%
Mr. Fang	Interest in controlled corporation *(Note 2)*	375,000,000 (L)	75%
Mr. Mao	Interest in controlled corporation *(Note 2)*	375,000,000 (L)	75%

Notes:

1. The letter "L" denotes a long position in the Shares held.

2. Mr. Zhu, Mr. Fang, Mr. Mao and Mr. Zhang entered into the Deed of Concert Parties, pursuant to which, the parties confirmed that they have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries and that it is their intention to continue to act in the above manner upon the Listing. Accordingly, Beautiful Homeland is deemed to be accustomed and/or obliged to act in accordance with their directions and/or instructions and that, among others, each of Mr. Zhu, Mr. Fang and Mr. Mao is deemed to be interested in all the Shares held by Beautiful Homeland under the SFO.

(b) Interests and/or short positions in associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number of Shares held in the company concerned *(Note 1)*	Percentage of interest in the company concerned
Mr. Zhu	Beautiful Homeland *(Note 2)*	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO *(Note 3)*	100 (L)	100%
Mr. Fang	Beautiful Homeland *(Note 2)*	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO *(Note 3)*	100 (L)	100%

Name of Director	Name of associated corporation	Nature of interest	Number of Shares held in the company concerned (Note 1)	Percentage of interest in the company concerned
Mr. Mao	Beautiful Homeland (Note 2)	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO (Note 3)	100 (L)	100%

Notes:

1. The letter "L" denotes a long position in the Shares held.

2. Beautiful Homeland is interested in 75% of the issued Shares immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be issued and allotted upon the exercise of the Over-allotment Option) and, accordingly, is the holding company of our Company within the meaning of the SFO.

3. Beautiful Homeland is owned as to 70% by Mr. Zhu and 10% by each of Mr. Fang, Mr. Mao and Mr. Zhang, all of whom have entered into the Deed of Concert Parties, pursuant to which, the parties confirmed that they have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries and that it is their intention to continue to act in the above manner upon the Listing. Accordingly, each of Mr. Zhu, Mr. Fang and Mr. Mao is deemed to be interested in the shares of Beautiful Homeland held by the other parties to the Deed of Concert Parties under the SFO.

2. Interests and/or short positions of our substantial Shareholders in the Shares and underlying Shares of Our Company

Please refer to the section headed "Substantial Shareholders" in this prospectus for details of the persons (other than a Director or chief executive of our Company)/entities which will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option), will have or be deemed or taken to have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

3. Particulars of service contracts and appointment letters

(a) Executive Directors

Each of our executive Directors has entered into a service agreement with our Company under which they have agreed to act as our executive Directors for an initial term of three years commencing from the Listing Date. Either party has the right to give not less than three months' written notice to terminate the service agreement and is subject to termination provisions therein and provisions on retirement by rotation of our Directors as set out in the Articles.

Each of our executive Directors is entitled to a director's fee. Each of our executive Directors shall be paid a remuneration on the basis of twelve months in a year. In addition, each of our executive Directors is also entitled to bonus as determined by our Board based on the recommendations made by our remuneration committee. The current annual director's fees and remuneration of our executive Directors are as follow:

Name of Directors	Remuneration
	RMB
Mr. Zhu	1,103,122
Mr. Fang	767,944
Mr. Mao	748,466

(b) Non-executive Director

Our non-executive Director has entered into an appointment letter with our Company under which she has agreed to act as our non-executive Director for an initial term of three years commencing from the Listing Date. Either party has the right to give not less than one months' written notice to terminate the appointment letter. The current annual director's fee and remuneration of our non-executive Director is RMB107,928.

(c) Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company under which each of them has agreed to act as our independent non-executive Directors for an initial term of three years commencing from the Listing Date. Either party has the right to give not less than one months' written notice to terminate the appointment letter. The current annual director's fees and remuneration of our independent non-executive Directors are as follow:

Name of Directors	**Remuneration**
	RMB
Mr. Guan Yuchun	107,928
Mr. Zhao Xiaoming	107,928
Ms. Kung On Yee Annet	107,928

(d) Remuneration of our Directors

(i) For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021, the total remuneration (including salaries, discretionary bonuses, retirement benefit scheme contributions and other benefits) paid by us to our Directors amounted to approximately RMB1.0 million, RMB1.1 million, RMB1.0 million and RMB0.5 million, respectively.

(ii) Under the arrangements currently in force, the aggregate remuneration (including benefits in kind but excluding any commission or discretionary bonus) payable to our Directors in respect of the years ending 31 December 2021, 2022 and 2023 is estimated to be approximately RMB1.5 million, RMB3.1 million and RMB3.1 million, respectively.

(iii) During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

(iv) None of our Directors had waived or agreed to waive any remuneration during the Track Record Period.

(v) Save as disclosed in this prospectus, no other payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period.

4. Agency fees or commissions received

Save as disclosed in the paragraph headed "Underwriting — Underwriting arrangements and expenses" in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Group.

5. Related party transactions

Save as disclosed in note 32 to the Accountants' Report set out in Appendix I to this prospectus, during the Track Record Period, our Group has not engaged in any other material related party transactions.

6. Disclaimers

Save as disclosed in this prospectus:

(a) our Directors are not aware of any person (other than our Directors or the chief executive of our Company)/entities which will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account of any Share which may be issued upon exercise of the Over-allotment Option), have or be deemed or taken to have an interest and/or a short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are deemed to have under such provisions of the SFO) or who will, either directly or indirectly, be expected to be interested in 10% or more of 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;

(b) none of our Directors or the chief executives of our Company had any interests and short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) once the Shares are listed on the Stock Exchange, or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, once the Shares are listed on the Stock Exchange, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed on the Stock Exchange;

(c) none of our Directors nor any of the persons whose names are listed in the paragraph headed "D. Other Information — 9. Qualifications of experts" in this Appendix V was directly or indirectly interested in the promotion of our Company, or has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to our Company or any of its subsidiaries, within the two years immediately preceding the date of this prospectus, or were proposed to be acquired or disposed of by or leased to our Company or any of its subsidiaries nor will any Director apply for Offer Shares either in his own name or in the name of a nominee;

(d) none of the persons whose names are listed in the paragraph headed "D. Other Information — 9. Qualifications of experts" in this Appendix V is materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to the business of our Group;

(e) none of our Directors nor any of the persons whose names are listed in the paragraph headed "D. Other Information — 9. Qualifications of experts" in this Appendix V has received any agency fee, commissions, discounts, brokerage or other special terms from our Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group;

(f) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken; and

(g) none of the parties listed in the paragraph headed "D. Other Information — 9. Qualifications of experts" in this Appendix V:

  (i) are interested legally or beneficially in any securities of any member of our Group; and

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of our Group.

D. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands or the BVI or Hong Kong in which the companies comprising our Group are incorporated. There are currently no taxes in the form of estate duties under Cayman Islands law, and no estate tax is currently payable by persons who are not resident in the BVI with respect of any shares, debt obligations or other securities of a BVI company.

Stamp Duty

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.13% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. A total stamp duty of 0.26% is currently payable on a typical sale and purchase transaction involving the Shares.

Deed of Indemnity

The Controlling Shareholders (together the "**Indemnifiers**") have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its subsidiaries) whereby conditional on the conditions set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus having been fulfilled, the Indemnifiers have given indemnities in connection with, among other matters:

(a) any taxation including estate duty falling on any company of our Group in any part of the world resulting from or by reference to any income, profits or gains earned accrued or received on or before the Listing Date or any event on or before the Listing Date whether alone or in conjunction with other circumstances and whether or not such tax is chargeable against or attributable to any other person;

(b) any liabilities of whatever nature that may arise out of or from or as a result of or in connection with the business and/or operation of any company of our Group, whether in the ordinary course of the business of our Group or otherwise, on or before the Listing Date, irrespective of whether or not such liabilities are chargeable against or attributable to any other person, firm or company, unless such liabilities are also discharged by such other person, firm or company;

(c) all or any of the liabilities in connection with any tax, duty, excise, customs, charges, fees or expenses that may arise or be incurred in Hong Kong or any part of the world in the context and/or course of, or in relation to, the operation and/or business of our Group on or before the Listing Date;

(d) all or any liabilities, damages, costs, charges, fees, expenses and interest (collectively, "**liabilities**") that may arise or be payable under or in connection with any legal action or proceedings of whatever nature and irrespective of where instituted and whether on going or otherwise of which any company of our Group is involved or is a party of whatever capacity thereto (i) to the extent that such liabilities are not covered by the relevant insurance policies taken out by any company of our Group; or (ii) to the full extent of such liabilities in the event that none of the companies of our Group has taken out any insurance policy to cover such liabilities, provided that the cause of action for such legal action or proceedings has occurred before the Listing Date,

save and except that the Indemnifiers shall be under no liability under the Deed of Indemnity:

(i) to the extent that provision has been made for such taxation or liability in the audited consolidated accounts of our Company or the audited accounts of the relevant company of our Group for the Track Record Period (the "**Accounts**");

(ii) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or regulations or practice by the Hong Kong Inland Revenue Department or any other relevant authorities in any part of the world coming into force after the date thereof or to the extent that such claim arises or is increased by an increase in rates of taxation after the date thereof with retrospective effect;

(iii) to the extent that such taxation or liability is caused by the act or omission of, or transaction voluntarily effected by, any company of our Group which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets other than any prosecution by any government authority;

(iv) to the extent that such taxation or liability would not have arisen but for any act or omission by any company of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers; and

(v) to the extent of any provision or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising after 30 April 2021.

2. Material claims or litigation

Save as disclosed in the paragraph headed "Business — Legal and compliance" in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to our Directors to be pending or threatened against any member of our Group, that would have a material adverse effect on our business, results of operations or financial condition.

3. No Material Adverse Change

Save as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 30 April 2021, the date of the latest audited consolidated financial statements of our Group, up to the Latest Practicable Date.

4. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Share that may be allotted and issued upon the exercise of the Over-allotment Option. The Sole Sponsor is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees in relation to the Listing are approximately HK$6.3 million.

5. Preliminary expenses

The estimated preliminary expenses relating to the incorporation of our Company are approximately HK$86,000 and are payable by our Company.

6. Promotor

Our Company has no promoter.

7. Registration procedures

The principal register of members of our Company will be maintained in the Cayman Islands by Maples Fund Services (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Boardroom Share Registrars (HK) 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, the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

8. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

Under the current Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty so long as our Company does not hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding, disposal of or dealing in Shares or exercising any rights attaching to them.

9. Qualifications of experts

The qualifications of the experts (as defined under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Listing Rules) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Giraffe Capital Limited	A corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
Grant Thornton Hong Kong Limited	Certified public accountants
Maples and Calder (Hong Kong) LLP	Legal advisers to our Company as to the laws of the Cayman Islands
GuangDong Sun Law Firm	Legal advisers to our Company as to the laws of the PRC
Mr. Leung Wai-Keung, Richard	Barrister-at-law of Hong Kong
Alston & Bird LLP	Legal advisers to our Company as to the laws of the United States
China Insights Industry Consultancy Limited	Independent industry consultant
AVISTA Valuation Advisory Limited	Independent property valuer
Grant Thornton Tax Services Limited	Independent tax consultant

10. Consents of experts

Each of the experts as referred to in the paragraph headed "9. Qualifications of experts" above in this appendix has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of statement(s) made by it and/or its report and/or letter and/or legal opinion (as the case may be) and references to his or its name included herein in the form and context in which it is respectively appears.

None of the experts as referred to in the paragraph headed "9. Qualifications of experts" has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

11. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Giraffe Capital Limited as our compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with the Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein.

12. Miscellaneous

Save as disclosed in this prospectus, within two years immediately preceding the date of this prospectus:

(a) none of our Directors nor any of the parties listed in the paragraph headed "9. Qualifications of experts" in this appendix has any direct or indirect interest in the promotion of, or in any asset which have been, acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors nor any of the parties listed in the paragraph headed "9. Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(c) none of our Directors has any existing or proposed services contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than payment of statutory compensation);

(d) no capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option;

(e) we have not issued or agreed to issue any founder or management or deferred Shares nor any outstanding debentures;

(f) within the two years preceding the date of this prospectus, there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group;

(g) within the two years preceding the date of this prospectus, no share or loan capital or debentures of our Company or of any of our principal operating subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly either for cash or for a consideration other than cash;

(h) we have no outstanding debentures or convertible debt securities;

(i) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(j) no commissions, discounts, brokerages or other special terms were paid or granted within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group, and none of our Directors nor any of the parties listed in the paragraph headed "9. Qualifications of experts" in this Appendix has received any such payment or benefit;

(k) no commission (but not including commission to the Underwriters) had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Share in or debentures of our Company;

(l) no company within our Group is presently listed on any stock exchange or traded on any trading system; and

(m) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

13. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

14. Bilingual prospectus

The English version and the Chinese version of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND ON DISPLAY

1. Documents Delivered to the Registrar of Companies in Hong Kong

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) the **GREEN** Application Form; (b) the written consents referred to in the paragraph headed "D. Other Information — 10. Consents of experts" in Appendix V to this prospectus; and (c) certified copies of the material contracts referred to in the paragraph headed "B. Further Information about our Business — 1. Summary of material contracts" in Appendix V to this prospectus.

2. Documents On Display

Copies of the following documents will be published on the website of the Stock Exchange at ***www.hkexnews.hk*** and our Company's website at ***www.betterhomechina.com*** up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the Accountants' Report from Grant Thornton Hong Kong Limited, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for each of the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021;

(d) the assurance report on the compilation of unaudited pro forma financial information of our Group prepared by Grant Thornton Hong Kong Limited, the text of which is set out in Appendix II to this prospectus;

(e) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, legal advisers to our Company as to the laws of the Cayman Islands, summarising the constitution of our Company and certain aspects of the Cayman Companies Act referred to in Appendix IV to this prospectus;

(f) the Cayman Companies Act;

(g) the material contracts referred to in the paragraph headed "B. Further Information about our Business — 1. Summary of material contracts" in Appendix V to this prospectus;

(h) the service agreements and letters of appointment referred to in the paragraph headed "C. Further Information about our Directors and Substantial Shareholders — 3. Particulars of service contracts and appointment letters" in Appendix V to this prospectus;

(i) the written consents referred to in the paragraph headed "D. Other Information — 10. Consents of experts" in Appendix V to this prospectus;

(j) the legal opinion issued by GuangDong Sun Law Firm, legal advisers to our Company as to the laws of the PRC, in respect of our Group's business operation and property interests in the PRC;

(k) the legal opinions issued by Mr. Leung Wai-Keung, Richard, legal counsel to our Company as to the laws of Hong Kong;

(l) the legal opinion issued by Alston & Bird LLP as to certain aspects of the United States laws;

(m) the memorandum of transfer pricing review issued by Grant Thornton Tax Services Limited, an independent tax consultant;

(n) the CIC Report; and

(o) the letter relating to our property interests issued by AVISTA Valuation Advisory Limited, the text of which is set out in Appendix III to this prospectus.

Better Home Group Holdings Co., Limited
貝特集團控股有限公司