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税和防止偷漏税的安排》), 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* (《國家税務總局關於税收協定中「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.